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The euro is a framework. Stability is a choice.

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The holiday season usually gives us an opportunity to take a more measured look at what has been accomplished during the year. Seven months after the introduction of the euro, we can now make an initial assessment. It is positive. Payments continued without disruption, accounts were converted, sufficient cash was made available, and customers were served. An operation that affected almost every contract, every account and every cash desk in the country was completed without systemic disruption.

We have reason to be satisfied, but not complacent. The public will not judge euro area membership solely by the quality of the technical transition. Its assessment will be shaped by everyday experience—through prices, interest rates, access to credit and the security of savings. The conclusion at this stage is clear: the framework is stronger, and with that comes greater responsibility on our part.

The technical transition is complete. The real work continues.

On 1 January 2026, Bulgaria made an important transition in the organisation of its monetary regime—from stability through constraint to stability through participation. For nearly three decades, the currency board provided a clear nominal anchor—first to the Deutsche Mark and subsequently to the euro—through a fixed exchange rate and the relinquishment of an independent monetary policy. With full participation in the Eurosystem, the BNB now takes part in the common monetary policy, while Bulgarian banks have access, under the common terms and conditions, to its operations and liquidity facilities. Decisions are transmitted directly, and the options for managing temporary liquidity difficulties at solvent banks are considerably broader.

These benefits do not remove national responsibility. Monetary policy is common, but the credit cycle, housing market, incomes, fiscal conditions and banking practices retain their local specificities. Our task is to harness the benefits of monetary union while maintaining a conservative, preventive and transparent macroprudential and supervisory policy.

Seven months is too short a period for definitive conclusions. It is, however, enough to distinguish what we already know from the issues that will require constant attention.

Inflation requires facts and clear explanation

Let us be clear about the issue that understandably concerns most people.

The euro did not create inflation in Bulgaria, and membership in itself will not eliminate it. The inflationary wave began years before the adoption of the single currency. Initially, it was fuelled by rising global energy and food prices, supply-chain disruptions, the post-pandemic economic recovery and the consequences of Russia's war against Ukraine. Subsequently, it was also affected by renewed tensions in energy markets related to the crisis in the Middle East, as well as by domestic factors—rapid wage growth, strong consumption, rising service prices and fiscal decisions.

The data available as of mid-August point to a fluctuating rather than a one-directional picture. Annual average inflation, as measured by the Harmonised Index of Consumer Prices, was 3.5% in 2025. Annual inflation under this index declined to 2.1% in February 2026, then accelerated to 6.3% in May following the crisis in the Middle East, before slowing again—to 5.2% in June and 4.4% in July. These movements do not support the claim that every price increase after January can automatically be attributed to the euro. The causes must be sought in the individual components of the price index and in how they evolve over time.

Preliminary estimates place the one-off price effect of the currency changeover itself within a narrow range: around 0.2 percentage points according to the European Commission, and 0.3–0.4 percentage points according to an analysis by the ECB and the BNB. The difference reflects the methods used, not a difference in the conclusion: the effect is limited, concentrated mainly in parts of the services sector and comparable to what was observed during previous euro changeovers. In its June forecast, the OECD attributes the acceleration in inflation during the spring primarily to higher energy prices.

This does not mean that the effects of the transition can be disregarded. Currency conversion and rounding may have temporarily affected individual prices, particularly those of frequently purchased goods and services. Therefore, even after mandatory dual price display ended on 8 August, attention must remain focused on transparent pricing, competition and consumer protection.

When a household says that its weekly basket costs more, we cannot respond with a lecture on statistical methodology. We must listen to that message. Perceptions of rising prices influence consumption, saving, wage demands and, ultimately, confidence. Taking them seriously also means explaining honestly what the data show and what they do not. Perceptions are real, but causal relationships must be established through evidence. For a central bank, clear explanation is part of policy.

Rapid credit growth calls for greater prudence

The second issue that deserves greater attention is credit. Credit is not synonymous with inflation, but it matters for how inflation develops. When it finances consumption or the purchase of existing assets, demand may grow faster than productive capacity. When directed towards productive investment, it may expand supply over time. The relationship runs in both directions and operates with a lag: inflation itself increases the nominal value of loans and collateral and may reduce the real cost of credit if interest rates adjust more slowly.

Annual credit growth in the non-government sector accelerated during the first half of the year. The pace of housing loan growth eased slightly but remained high. This does not establish a direct short-term relationship between lending and the overall price index, but it warrants close monitoring of the effects on domestic demand, the property market, indebtedness and underlying inflation.

At the end of June, the share of gross non-performing loans and advances was low, at 2.65%. This is a positive indicator of current conditions, but not sufficient evidence of low future risk. Arrears may remain limited even as larger debts, longer maturities and greater sensitivity to changes in incomes and interest rates accumulate. Banks must therefore assess the entire credit cycle, rather than focusing solely on the latest non-performing loan data.

For loans secured by residential property, the BNB introduced limits on three key indicators at origination or renegotiation: the loan-to-value ratio may not exceed 85%; the ratio of current debt-service payments to the borrower's monthly income may not exceed 50%; and the maximum contractual maturity is 30 years. Deviations are permitted for a volume of up to 5% of newly originated or renegotiated loans, calculated against their gross volume in the previous quarter.

These limits are not targets around which every loan should be structured, nor do they replace banks' judgement. We expect banks to conduct a sound assessment of creditworthiness, make realistic assumptions about living expenses, use well-founded collateral valuations and perform substantive analysis of adverse scenarios. Particular attention is required for variable interest rates, reliance on a single income, the borrower's age at final maturity and liabilities to other institutions. Competition should be based on service, efficiency and the quality of assessment—not on a gradual weakening of credit standards.

Strong buffers, prudent liquidity and responsible governance

The Eurosystem's common monetary policy is aimed at price stability in the euro area. The BNB's national instruments take account of the local financial cycle and the resilience of Bulgarian banks and borrowers. When the general level of interest rates does not fully reflect domestic credit dynamics, capital buffers, borrower-based measures and supervision become even more important.

The BNB's policy remains preventive. Capital must be built up in good times, when doing so is easier and less costly. This enables the banking system to absorb losses and continue financing the economy even under adverse conditions. The current framework includes a capital conservation buffer, a systemic risk buffer, a countercyclical capital buffer and additional requirements for systemically important banks. These instruments differ in scope and address different risks; they should therefore not be presented simply as a mechanically aggregated percentage.

Euro area membership mitigates some structural risks by providing access to Eurosystem refinancing and liquidity facilities. It does not eliminate the risks arising from rapid domestic credit growth, the property market, concentrations and common exposures. Any future review of capital requirements should follow actual changes in risk, preserve the system's high resilience, and be transparent and predictable.

The transition to the Eurosystem framework released substantial liquidity. In the initial period, much of it remained in the deposit facility or other liquid assets rather than being immediately converted into new lending. This contributed to a smooth transition. At the end of June, the liquidity coverage ratio stood at 261.2%, compared with a regulatory minimum of 100%, while the liquidity buffer amounted to EUR 33.4 billion. Over time, banks will reassess the returns available from different uses of these funds. Access to central bank liquidity, however, must not weaken internal planning, stable funding or prudent asset and liability management. Liquidity provides protection against temporary difficulties at solvent banks, but it is no substitute for capital and sound governance.

Resilience begins with the governance of the banks themselves. Management bodies must understand the risks they approve, and senior management must be accountable for implementing their decisions. Risk management functions must have the necessary authority, independence and access to reliable data. Internal audit should assess outcomes, not merely formal compliance.

For its part, the BNB will maintain predictable communication, consistent application of requirements and early dialogue when risks emerge. Supervision is most effective before a weakness becomes a breach.

The standard for the next stage

Bulgaria entered the euro area with a well-capitalised and liquid banking system, a conservative supervisory tradition and a well-developed macroprudential framework. This is a national asset. It must not be taken for granted or gradually depleted in pursuit of short-term market share.

For the BNB, the next stage means active participation in the Eurosystem, precise and accessible explanations of inflation, close monitoring of the domestic credit cycle, and preservation of the preventive nature of capital policy. We will adjust our instruments when the data warrant it—not when short-term pressure makes change more convenient.

For banks, the standard is prudent lending, strong governance, transparent relations with customers and an adequate capital reserve. Euro area interest-rate scenarios must be incorporated into loan pricing and the planning of interest-rate risk, liquidity and capital. Data and management systems must identify concentrations and related vulnerabilities before they materialise in arrears.

This is not a programme for administratively restricting credit. The Bulgarian economy needs financing for productive investment, innovation, energy transformation, infrastructure and higher prosperity. The objective is higher-quality lending—risk-sensitive, underpinned by sustainable incomes and capable of withstanding adverse conditions.

The measure of success is clear. Inflation must sustainably converge towards a level consistent with price stability. Credit must support productive growth without creating excessive indebtedness. Banks must retain their capacity both to absorb shocks and to finance households and businesses.

The transition was successful. That is a good start, but only a start. From this point on, outcomes will depend on the quality of decisions and the consistency with which we implement them.

The euro is a framework. Stability remains a choice.