



# MACROECONOMIC FORECAST

## DECEMBER 2025



**BULGARIAN NATIONAL BANK**



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The BNB quarterly Macroeconomic Forecast provides annual projections of major macroeconomic indicators for Bulgaria in the current and the following two years. The macroeconomic forecast is prepared by the BNB Economic Research, Forecasting and Monetary Policy Directorate and does not necessarily reflect the views of the members of BNB Governing Council about the prospects for the development of the Bulgarian economy. Information regarding the forecast preparation procedure, as well as technical details on the macroeconomic forecasting model can be found in *Economic Review, issue 4/2015, 67-70*.

The Macroeconomic Forecast publication (December 2025) was presented to the BNB Governing Council at its meeting on 8 January 2026, and it contains a projection of key macroeconomic indicators, prepared as of 4 December 2025. The estimates and projections published in this issue should not be regarded as advice or recommendation. The information in the publication should be used exclusively at the user's risk.

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## Abbreviations

BNB	Bulgarian National Bank
GDP	Gross Domestic Product
VAT	Value Added Tax
EC	European Commission
EU	European Union
ECB	European Central Bank
CPI	Consumer Price Index
CFP	Consolidated Fiscal Programme
NCBs	National central banks
NSI	National Statistical Institute
NRRP	National Recovery and Resilience Plan
OPEC	Organization of Petroleum Exporting Countries
HICP	Harmonized Index of Consumer Prices
UMTBF	Updated Medium-Term Budget Forecast

# SUMMARY

The BNB forecast of key macroeconomic indicators is prepared as of 4 December 2025 based on assumptions about global economic developments and price dynamics of main commodity groups in international markets as of 28 November 2025.

The assumptions about global economic activity and trade developments suggest that growth in external demand for Bulgarian goods and services in 2025 (3.8 per cent) is higher than projected in the June 2025 BNB macroeconomic forecast and is expected to remain broadly unchanged in 2026 and 2027 compared to the previous forecast (2.5 per cent and 3.2 per cent, respectively). The stronger growth in external demand in 2025 mainly reflects the temporary increase in global trade before the introduction of new US import tariffs, while the effects of tariffs introduced and ongoing processes of trade fragmentation are expected to restrain foreign demand over the remainder of the projection horizon. Market participants' expectations and underlying technical assumptions imply a strong decline in euro prices of energy commodities in international markets in 2026, mainly in oil prices, and a minimum fall in 2027. No significant changes are foreseen for non-energy commodity prices in euro in 2026, while in 2027, a slight increase is expected mainly in agricultural commodities. As a result, euro commodity prices weighted by their importance for Bulgaria's international trade are anticipated to decline by an average of 0.9 per cent in 2026, and to increase by around 1.8 per cent in 2027.

In 2025, Bulgaria's real GDP growth is projected to reach 3.2 per cent, before slightly slowing down to 3.1 per cent in 2026 and 2027. Domestic demand components will have a positive contribution to the economic activity in 2025, whereas net exports will contribute negatively. Over the whole projection horizon, household consumption expenditure is expected to contribute most to the economic activity increase, reflecting projected growth in real labour income, employment growth, as well as higher net fiscal transfers to households and strong lending activity. In 2025 and 2027, dynamics of investment and goods imports is expected to be affected by military equipment deliveries and attracted investments in the military industry. Assumptions of relatively low growth in external demand for Bulgarian goods and services coupled with repair activities in key enterprises in manufacturing in Bulgaria in early 2025 are factors behind weaker performance of exports compared to imports over most of the forecast horizon.

As a result of continued intense depositing of free cash in the banking system for subsequent automatic conversion into euro as a result of Bulgaria's accession to the euro area in the beginning of 2026, annual growth of non-government sector's deposits is projected to accelerate at the end of 2025 and to follow a slowing trend thereafter. At the same time, Bulgaria's accession to the euro area is expected to contribute to strengthening the transmission of the monetary policy of the European Central Bank (ECB) to the monetary conditions in the country. In 2026 and 2027, the annual growth of credit to the non-government sector is expected to moderate, remaining, however, relatively high.

Annual inflation measured by the Harmonised Index of Consumer Prices (HICP) is expected to accelerate to 3.9 per cent at the end of 2025 (compared to 2.1 per cent at the end of 2024), with average annual inflation coming to 3.6 per cent in 2025 (2.6 per cent in 2024). The main proinflationary factors are related to domestic processes, such as the rise in unit labour costs and high growth of private consumption, allowing for a high degree of pass-through of increased production costs to final consumers. At the end of 2026, inflation is projected to be 3.6 per cent (3.5 per cent on average for the year), with services prices expected to have the largest contribution as a result of private consumption growth and maintenance of tight labour market conditions, which contribute to preserving high wage growth rates. For 2027, inflation at the end of the year, as well as average annual inflation are expected to slow down to 3.0 per cent and 3.2 per cent, respectively, which will be driven mainly by a decline in services inflation in line with projected unit labour cost dynamics.

The current macroeconomic forecast reflects information on fiscal measures included in the Draft Law on the 2026 State Budget and the Updated Medium-Term Budget Forecast (UMBF) for the period 2026–2028, which were submitted to the National Assembly on 13 November 2025. Given the current political

situation in the country and the already withdrawn Draft Law on 2026 State Budget, the parameters to be included in the final budgetary framework for 2026 and the medium-term budget forecast give rise to uncertainty over the forecast.

Taking into account the assumptions underlying the baseline scenario, risks to the real GDP growth forecast for Bulgaria are assessed as balanced for 2025. For 2026 and 2027, risks of lower economic activity prevail, stemming mainly from possible less favourable developments in the global environment than projected in external assumptions. On the domestic side, there is a risk of lower real GDP growth in the event of a possible reduction in the activity of Lukoil Group companies in the country or a slower implementation of investment projects financed by national and EU funds. For private consumption, risks are assessed as balanced over the projection horizon. On the one hand, consumer expenditure may be lower in case of weaker growth of wages and net fiscal transfers to households, but, on the other hand, household expenditure could be supported by a reduced propensity to save than projected in the forecast.

Prevailing risks to the inflation forecast suggest a stronger increase in consumer prices *vis-à-vis* the baseline scenario over the whole forecast horizon. These risks stem mainly from the internal macroeconomic environment and are related to a potentially faster and stronger pass-through by firms of projected growth of unit labour costs to final consumer prices, as well as possibly higher than projected inflation in goods and services with administratively controlled prices. At the same time, increased geopolitical tensions pose risks of soaring commodity prices, such as energy products.

# FORECAST OF KEY MACROECONOMIC INDICATORS FOR 2025-2027

The BNB macroeconomic forecast (December 2025) is prepared in accordance with the schedule and framework for the production of Eurosystem national central banks (NCBs) macroeconomic projections. This forecast is also included in the common indicators of the macroeconomic projections for the euro area published by the ECB on 18 December 2025 (for further information, see the Highlight here 'The BNB Macroeconomic Forecast in the Framework of the Eurosystem and ECB Projection Exercises').

## External Environment

The BNB forecast of key macroeconomic indicators is prepared as of 4 December 2025 and is based on assumptions about global economic developments and price dynamics of main commodity groups in international markets as of 28 November 2025. Forecast's underlying assumptions about developments in external demand for Bulgarian goods and services are based on the ECB projections published in December 2025.<sup>1</sup> Based on these assumptions, growth of external demand for Bulgarian goods and services in 2025 is higher than projected in the BNB June 2025 macroeconomic forecast (3.8 per cent), while in 2026 and 2027 this growth is expected to remain broadly unchanged compared to the previous BNB forecast (2.5 per cent and 3.2 per cent, respectively). The higher growth in 2025 mainly reflects the reporting of more granular global trade data, which point to a stronger than expected temporary acceleration in trade growth in the period prior to the introduction of new US import tariffs. Over the remainder of the forecast horizon, the effects of new tariffs and ongoing processes of trade fragmentation are expected to limit external demand and its growth to remain below historical average.

As regards euro price developments<sup>2</sup> of energy commodities (crude oil, natural gas, electricity),<sup>3</sup> the forecast incorporates assumptions from the ECB's December 2025 forecast. The assumptions for international food prices<sup>4</sup> are also based on the ECB's December 2025 projections, while for the remaining groups of non-energy commodities<sup>5</sup> (metals<sup>6</sup> and other commodities<sup>7</sup>) international futures contract prices are used as of 28 November 2025. The assumptions underlying the forecast imply a strong decline in euro energy commodity prices in international markets in 2026, mainly in oil prices, and a slight decline in 2027. Such a trajectory in energy prices would mean that they would fall for the fourth consecutive year, after their sharp rise in 2021 and 2022, but even so would remain consistently higher than their 2019 level due to higher electricity and gas prices. At the same time, assumptions about non-energy commodity prices in euro suggest that they will remain broadly unchanged in 2026 and increase slightly in 2027 driven by agricultural commodities. As a result of these developments, Bulgaria's weighted average international trade prices of commodities in euro are expected to fall by an average of around 0.9 per cent in 2026, before increasing by around 1.8 per cent in 2027.

<sup>2</sup> The forecast of commodity prices in euro uses the assumptions about the EUR/USD rate of the ECB projections.

<sup>3</sup> The assumptions about oil and gas price developments over the projection horizon are fully in line with the assumptions set out in the ECB macroeconomic forecast. Electricity price assumptions are based on quotations on the Italian electricity exchange, as electricity exchanges in Bulgaria and Italy are linked by means of the common participation in the European electricity market, where at present there is still only partial regional interconnection between individual countries.

<sup>4</sup> Including pigmeat, coffee, wheat, maize, rice, soybeans, sugar, cocoa, milk and livestock, weighted in accordance with Bulgaria's foreign trade flows.

<sup>5</sup> Metal and agricultural commodity prices over the projection horizon are based on used futures contracts concluded in international markets, with data available for most of them until the end of 2027. As regards the rest of the projection horizon, as well as commodities for which no public information on sufficient futures contracts is available until the end of 2027, their price dynamics is assessed by taking into account the historical correlation with the dynamics of global trade set out in the external assumptions of the forecast.

<sup>6</sup> Including steel, copper, aluminium, lead, zinc, nickel and tin weighted in accordance with Bulgaria's foreign trade flows.

<sup>7</sup> Including agricultural commodities, such as rubber, timber and cotton weighted in accordance with Bulgaria's foreign trade flows.

<sup>1</sup> For further details, see [ECB staff macroeconomic projections](#), December 2025. The ECB assumptions include information on the global economy development as of 26 November 2025 and on dynamics of euro area economic activity as of 1 December 2025.

Technical assumptions about crude oil show a 12.4 per cent decrease in the euro price in 2026, reflecting market participants' expectations of subdued demand amid uncertain prospects regarding global trade developments and increasing global oil supply. According to the technical assumptions, the oil price will remain largely unchanged on an annual basis in 2027. At the same time, following the increase in natural gas prices in Europe in 2025 due to the high geopolitical uncertainty, including the termination of Russian gas transit contract through Ukraine at the beginning of the year, market participants expect natural gas prices in Europe to fall significantly in 2026 and, to a lesser extent, in 2027. Electricity price assumptions imply a moderate decline in 2026 and 2027.

Data on food prices in euro suggest an increase of 2.9 per cent in 2025, entirely concentrated in products, such as coffee and livestock. A decline of 8 per cent is expected in 2026, mostly reflecting a normalisation of the prices of certain products against the background of improved supply conditions. In the case of metal prices, market participants expect moderate growth in 2026, while assumptions about agricultural commodity prices foresee a slight decline in 2026, followed by a moderate increase in 2027. As a result, non-energy commodity prices in euro are expected to remain broadly unchanged in 2026 and to rise by 2.2 per cent in 2027, implying a lower increase in non-energy commodity prices over the entire projection horizon compared to the June 2025 BNB macroeconomic forecast.

As regards short-term interest rates in the euro area, market participants' expectations, as set in the technical assumptions of the forecast, suggest a continued gradual downward trend up to the third quarter of 2026. Thereafter, short-term interest rates are expected to start increasing slightly and smoothly until the end of 2028.

## Economic Activity in Bulgaria

In the first six months of 2025, real GDP according to the NSI seasonally adjusted data grew by 3.4 per cent on an annual basis. In the structure of growth, the positive contribution of domestic demand compared to the same period of 2024 increased significantly, along with an increase in the negative contribution of net exports. Taking into account the information from available eco-

nomic indicators<sup>8</sup>, NSI flash estimates of GDP in the third quarter of 2025 and the technical assumptions on the external economic environment, all components of domestic demand are expected to support economic activity growth in the second half of 2025, while the contribution of net exports will remain strongly negative. As a result, real GDP growth in 2025 is projected to remain similar to that observed in 2024, standing at 3.2 per cent. The growth rate of private consumption in real terms is expected to accelerate to 7.9 per cent in 2025 (compared to 5.0 per cent in 2024). Factors that will support household consumption expenditure include the projected strong growth of real wages in the public and private sectors, net fiscal transfers to households, high lending activity, negative real deposit rates and employment growth. Government consumption is expected to increase by 5.6 per cent in 2025, mainly as a result of growth in compensation of employees in the public sector.<sup>9</sup> Growth in fixed capital investments is forecast to accelerate significantly to 11.0 per cent in real terms in 2025 (compared to 3.5 per cent in 2024), to which both private and public sectors are expected to contribute. Private sector investment is expected to be supported by the projected increase in final demand, growth of credit to the non-government sector and the significant rise in labour costs over recent years, which creates incentives for automation and digitalisation in production processes. At the same time, following a decrease in 2024, public sector investment is projected to grow in 2025 underpinned by the implementation of projects financed by EU funds under the National Recovery and Resilience Plan (NRRP), as well as the acquisition of new fighter planes for the Bulgarian Air Force<sup>10</sup>. The forecast employs a technical assumption that a total of 49 per cent of the funds approved for Bulgaria under the Recovery and Resilience Facility will be absorbed by 2026,

<sup>8</sup> This refers to the following indicators: production indices in industry, construction and services; retail trade turnover index; the unemployment rate; business climate and consumer confidence indices; producer price index in industry; new loans to corporations and households; global PMI.

<sup>9</sup> The forecast of the dynamics of compensation of employees in the public sector for 2025 takes into account information on the adopted amendments to the Law on the Ministry of Interior and the Law on Defence and Armed Forces of the Republic of Bulgaria. It also includes information from the State Budget Law for 2025 and the Updated Medium-Term Budget Forecast for the period 2025–2028 (24 February 2025), according to which the wage maintenance policy in the secondary education sector continues at a level of 125 per cent relative to the national average wage, while wages in budget structures for which no other increase is foreseen will rise by 5.0 per cent in 2025.

<sup>10</sup> In the forecast, the acquisition of fighter planes has a neutral contribution to real GDP growth, as the acquisition costs are equally accounted for in government investments and in goods imports.

mainly through fixed capital investments of the general government sector. We forecast increased accumulation of inventories in the economy in 2025<sup>11</sup> in line with heightened global geopolitical and economic uncertainty, as well as repairs in major manufacturing enterprises in the country<sup>12</sup>. The negative contribution of net exports to real GDP in 2025 is expected to increase to -4.8 percentage points (from -1.2 percentage points in 2024) due to the anticipated decline in exports of goods and services coupled with growth in imports. Despite the forecast assumption of some improvement in external demand for Bulgarian goods and services compared to 2024, exports are expected to decline (by 4.5 per cent in real terms) in 2025, mainly due to temporary repairs. Concurrently, given the continued strong growth of final demand components, imports of goods and services are expected to grow by 3.6 per cent in real terms on an annual basis.

In 2026 and 2027, economic growth is expected to slow down slightly to 3.1 per cent, exhibiting changes in its structure by year. These developments will partly reflect the dynamics of net exports, which in 2026 will have a positive contribution to GDP growth, after which their contribution will turn negative again in 2027. The positive contribution of net exports in 2026 will be driven by the projected recovery in the growth of goods exports, given the underlying technical assumptions about the dynamics of external demand and the completion of the repairs that limited exports in 2025. In 2027, exports of goods and services are expected to grow at a rate close to that of external demand. The growth of imports of goods and services is expected to accelerate in 2026 due to the recovery of exports and to strengthen further in 2027, given the assumptions for supplies of new military equipment in the country included in the forecast. Private consumption growth in 2026 and 2027 is forecast to slow down, remaining, however, high historically and continuing to have a major contribution to economic activity growth. Developments in the labour market will play a leading role in consumer expenditure growth, where the expected increase in labour shortages will continue to exert pressure on labour income to grow at a rate higher than that of labour productivity and inflation. Gross

<sup>11</sup> A technical assumption is made for the 2026–2027 period that the contribution of inventories to the economic activity dynamics will be neutral.

<sup>12</sup> According to media information, the LUKOIL Neftochim Burgas refinery [carried out a scheduled repair](#) from 26 February to 26 May 2025. At the same time, Aurubis Bulgaria launched on 12 May 2025 [a large-scale capital repair](#) in its Pirdop plant with a planned duration of 62 days.

fixed capital formation is projected to decline in 2026 in real terms, before increasing in 2027, driven by the high base in 2025 and the projected profile of public investment. The forecast of public investment takes into account information from the UMTBF for the period 2026–2028 (13 November 2025) on the time profile of expected deliveries of military equipment in Bulgaria. Private investment is expected to grow in 2026 and 2027, but at a slower pace than in 2025, supported by favourable financing conditions<sup>13</sup>, as well as by the increase in external demand for Bulgarian goods and services. The forecast of private business investment includes the assumption of foreign investment inflow related to the military industry in 2027.<sup>14</sup> Housing investment is expected to be stimulated in 2026 and 2027 by both supply given the continuing trend of rising house prices, and demand in line with household disposable income growth and favourable financing conditions. Government consumption growth in real terms is expected to moderate to 3.4 per cent in 2026, before accelerating to 4.0 per cent in 2027. The increase in compensation of employees in the public sector will continue to be the main contributor to this growth, driven by the wage indexation mechanisms for part of the public sector effective at the time of preparing the forecast<sup>15</sup>.

## Balance of payments

The current account balance is expected to be negative at 4.5 per cent of GDP in 2025, before declining to 3.4 per cent of GDP in 2026 and increasing again to 3.7 per cent of GDP in 2027. This dynamics of current account flows will be mainly driven by the trade balance deficit, the deterioration of which in 2025 and 2027 is due to the expected higher growth of imports compared to that of exports of goods in nominal terms, given the assumptions for supplies of new military equipment and repairs included in the forecast, limiting exports in 2025. At the same time, the surplus on trade in services is anticipated to remain relatively high and stabilise as a percentage of

<sup>13</sup> Although the forecast of interest rates on loans to corporations foresees a gradual increase from mid-2026, they are expected to remain at historically low levels over the period 2026–2027.

<sup>14</sup> In October 2025, the Executive Directors of VMZ Vazovski Mashinostroitelni Zavodi EAD (Vazovsky Machine Building Plants) and the German concern Rheinmetall AG [signed](#) a strategic contract for the construction of a gunpowder and ammunition plant on the territory of the country as the project will be implemented through a joint company. The total investment is planned to amount to close to EUR 1 billion. The forecast assumes that this investment will be made in 2027 and 2028.

<sup>15</sup> In preparing the forecast of government consumption, information from the UMTBF for the period 2026–2028 (13 November 2025) was used and additional technical assumptions were made by the BNB.

GDP over the forecast horizon at a level close to that of 2024, reflecting the continued increase in tourist visits to Bulgaria and high growth in computer and information services exports. The deficit on net primary income item for the projection period is expected to decrease slightly as a percentage of GDP compared to its 2024 level, largely as a result of the technical assumption on a decline in euro area interest rates and an anticipated rate of return on foreign investments in Bulgaria. Over the forecast horizon, the capital account surplus is expected to remain at a lower level as a share of GDP compared to 2024, reflecting a projected profile of EU receipts, including under the NRRP.

## Labour market

Labour market conditions remained tight in the first nine months of 2025, with this trend being expected to continue throughout the projection horizon. The growth of the number of employed persons is projected to be 1.8 per cent in 2025 and to start slowing down to 0.7 per cent in 2026 and to 0.2 per cent in 2027, as a result of ongoing adverse demographic developments in Bulgaria leading to a decrease in labour force. At the same time, the unemployment rate is forecast to decrease gradually from 3.6 per cent in 2025 to 3.4 per cent in 2026 and 3.1 per cent in 2027, reflecting both projected real GDP growth and shrinking working age population. Real labour productivity is expected to increase by 1.4 per cent in 2025 and to accelerate to 2.4 per cent in 2026 and 2.9 per cent in 2027 in line with projected GDP growth rates, with limited scope for increasing the number of employed persons. The nominal growth rate of compensation *per* employee is projected to be 11.4 per cent in 2025 and to accelerate to 11.9 per cent in 2026 as a result of the 2 percentage point increase as projected in the UMTBF for the period 2026–2028 (13 November 2025), while the burden of this measure is expected to be fully borne by employers in order to retain their employees amid high shortages of staff in Bulgaria. Other factors that will contribute to the growth of compensation *per* employee in 2026 include the projected growth in economic activity, the increase in public sector wages as set in the forecast and an increase in the minimum wage by 12.6 per cent since the beginning of 2026. The nominal growth rate of compensation *per* employee is expected to slow down to 9.5 per cent in 2027, but to remain higher than the corresponding growth in labour productivity and inflation due to tight labour market conditions and growing labour shortages. As a result, wage increases will con-

tinue to support household consumption over the entire forecast horizon, but will also be reflected in higher labour costs for firms. Nominal unit labour costs are anticipated to grow by 9.9 per cent in 2025, 9.3 per cent in 2026 and 6.4 per cent in 2027.

## Monetary Sector

The expected stronger free cash depositing by non-financial corporations and households into the banking system by the end of 2025 and early 2026 for subsequent automatic conversion into euro and the release of a significant part of commercial banks' minimum reserve requirements following Bulgaria's accession to the euro area as of early 2026 will further increase the high liquidity in the banking system. Reflecting these developments, interest rates on new time deposits to the non-government sector are projected to remain almost unchanged until the end of 2026 compared to the levels of the third quarter of 2025. In the medium term, the ECB's monetary policy transmission to the Bulgarian economy is likely to strengthen, with rates on attracted funds tending to gradually approach euro area average levels. Interest rates on new loans to non-financial corporations are projected to decline further until mid-2026, before starting to gradually increase in line with market expectations for short-term rate dynamics in the euro area.

Annual growth of non-government sector's deposits is forecast to accelerate to 14.6 per cent at end-2025, mainly resulting from continued stronger free cash depositing in the banking system prior to Bulgaria's accession to the euro area. Our expectations for the annual growth of non-government sector's deposits in 2026 are for a slowdown to 9.1 per cent by the end of the year, mainly due to the high end-2025 base and likely partial withdrawals from banks of the funds additionally deposited in the second half of 2025 and early 2026. Annual deposit growth is projected to further slow down to 8.6 per cent at end-2027 as a result of an expected slowdown in the annual growth rate of wages in the economy. Growth of the non-government sector's credit is expected to reach 14.7 per cent on an annual basis at end-2025, thereafter following a slowing trend to 11.6 per cent at end-2026 and to 10.0 per cent at end-2027. This downward dynamics is expected to be mainly driven by household credit in the context of a projected slowdown in private consumption growth and housing price increases.

## Inflation

The inflation forecast is based on technical assumptions for international prices of energy and agricultural commodities, the projected degree and speed of their pass-through to final consumer prices of food and services and on the effects of initiated fiscal measures. On the basis of information available as of 4 December 2025, the following government measures are set out in the forecast: increases in the excise duty on tobacco products for 2025–2027, provided for in the Excise Duties and Tax Warehouses Act<sup>16</sup> and increased fees for issuing personal documents from January 2026. In addition, an assumption is made for a rise in water supply and sewerage prices over the forecast horizon, in line with the practice adopted by the EWRC and water supply and sewerage companies for a price indexation based on inflation.

Annual inflation is expected to accelerate to 3.9 per cent at end-2025 (from 2.1 per cent at end-2024), and average annual inflation to reach 3.6 per cent in 2025 (compared to 2.6 per cent in 2024). Higher inflation in 2025 is mainly due to the domestic macroeconomic environment, with high growth rates of private consumption and unit labour costs being the essential factors affecting the weaker pass-through of falls in international energy products prices. These developments exerted the largest inflationary pressure on food prices and core components<sup>17</sup> of the consumer basket in 2025, which are expected to be the main contributors to the overall inflation at end-2025. Other factors which added to the increase in services and food prices over 2025 are the restoration of the standard VAT rate of 20 per cent for bread and flour and restaurant and catering services from 1 January 2025 and indirect effects of food price rises in some services sub-groups. Services inflation is expected to accelerate to 5.3 per cent at end-2025 (4.9 per cent on average for the year), with food inflation standing at 7.3 per cent (6.5 per cent on average for 2025). Energy prices are anticipated to fall by 1.3 per cent at end-2025 (against a 3.2 per cent decrease at end-2024) and energy inflation

to reach 0.2 per cent on average for the year (against a price fall in this group by 1.4 per cent in 2024).

In 2026, the growth rate of consumer prices is expected to slow down slightly to 3.6 per cent at the end of the year (3.5 per cent on average for the year). Services inflation will remain comparatively high with the largest contribution to headline inflation as a result of projected private consumption growth and sustained tight labour market conditions, and growing labour shortages in Bulgaria will continue to put pressure on unit labour costs. From the second quarter of 2026, services inflation is expected to accelerate, reflecting the base effect of decreased hospital services prices and personal documents fees in April 2025. In the food group, a price increase slowdown is projected at end-2026 and on average for the year, in line with assumptions of international food prices. At the same time, the planned increase in excise duties on tobacco products will have a positive effect on consumer prices in the food group.<sup>18</sup> Technical assumptions in the forecast suggest declines in international oil prices over 2026, which will result in a retention of the negative contribution of energy products to headline inflation. Electricity and heating prices are assumed to increase since mid-year. A technical assumption has been made that central gas supply prices will follow developments in international natural gas prices.

For 2027, both end-year inflation and average annual inflation are projected to slow down to 3.0 and 3.2 per cent, respectively, mainly as a result of expected slowdown in services inflation in line with a projected lower growth rate of unit labour costs and exhausted base effects in certain administratively controlled prices affecting inflation in 2026. Food inflation is expected to continue slowing, and the energy inflation rate to be low, mainly due to projected increases in electricity prices for household consumers based on assumed international electricity prices. Concurrently, the pace of decline in transport fuel prices is expected to slow down considerably based on technical assumptions for a relative oil price stabilisation.

<sup>16</sup> Amendments to the excise calendar for the period from May 2025 to January 2029 were adopted by the State Budget Law of the Republic of Bulgaria for 2025 (published in *Darjavlen Vestnik*, issue 26 of 2025). These changes foresee a simultaneous increase in the specific excise duty rate and a reduction in the proportional excise rate on tobacco products. At the same time, the total minimum excise duty per 1000 cigarettes is foreseen to increase by 3.7 per cent from 1 May 2025, by 5.7 per cent from 1 January 2026 and by 5.4 per cent from 1 January 2027.

<sup>17</sup> Core inflation is measured by the HICP and includes prices of services and industrial goods, as defined by Eurostat.

<sup>18</sup> As part of the changes in the BNB's forecasting process to synchronise it with the overall Eurosystem's projection cycle, tobacco products are included in the food group in line with the Eurostat classification, unlike previous forecasts in which they were treated as part of goods and services with administratively controlled prices and tobacco products.

# FORECAST REVISIONS

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The main factors behind the GDP and inflation revision *vis-à-vis* the June 2025 macroeconomic forecast involve technical and methodological changes due to the synchronisation of the forecasting process with that of Eurosystem's national central banks, with NSI's historical GDP data revision of October 2025, with additional reporting economic data, and changes in external environment assumptions. Due to introduced methodological changes, the current forecast is not directly comparable to the June forecast<sup>19</sup>.

The current real GDP forecast is based on seasonally and working-day adjusted data published by the NSI<sup>20</sup> which, in combination with data updates<sup>21</sup>, leads to a stronger increase in real GDP for 2025 compared to the June forecast and a significant change in dynamics of sub-components. Compared to the June forecast, a stronger increase in all components of domestic demand (mainly private consumption) is projected in 2025, while the assumed positive contribution of changes in inventories remains unchanged, given heightened global geopolitical and economic uncertainties. A stronger increase in private consumption is expected, mainly due to the very high growth in the first half of 2025, labour market signals about further employment growth, labour income in real terms, retail trade volumes and the high level of consumer confidence in the third quarter of the year. At the same time, the forecast of goods and services exports for 2025 has been revised downwards, reflecting mainly a stronger than expected impact of planned repairs in metallurgy and oil processing, and a slower recovery of manufacturing, indicated by business trend data in this sector.

The current forecast shows that economic activity growth in 2026 and 2027 will slow down slightly less than June expectations. Growth in private consumption has been revised upwards in line with an upward revision of household dispos-

able income, reflecting higher minimum wage and assumed stronger growth in public wages compared to the June projections, along with an increase in the social contribution to the Pensions Fund.<sup>22</sup> For 2026–2027, the revision in the change profile of fixed capital investments is partly influenced by the introduction of a more detailed breakdown of private investments (housing and business investments) and by information included in the updated medium-term budget forecast for 2026–2028 (of 13 November 2025) about military equipment supplies and defence-related investments.

The inflation forecast has been revised towards a stronger increase in consumer prices at end-2025 (by 0.1 percentage points) in line with the upward revision in private consumption and wage growth, while average annual inflation is unchanged compared to the June 2025 macroeconomic forecast. The inflation forecast at end-2026 has been lowered by 0.2 percentage points, and average annual inflation by 0.1 percentage point, mainly due to technical assumptions on oil and food prices in international markets. For 2027, end-year inflation forecast remains unchanged, and average annual inflation is expected to be lower by 0.1 percentage point.

<sup>19</sup> For details, see here the highlight on The BNB Macroeconomic Forecast in the Framework of Eurosystem and ECB Projection Exercises.

<sup>20</sup> Previous projections were based on non-seasonally adjusted annual GDP data.

<sup>21</sup> In line with the NSI calendar of statistical survey releases, revised data on Bulgaria's GDP and its components for the period from 2018 to June 2025 were published on 20 October 2025.

<sup>22</sup> An additional assumption is made that in a tight labour market a higher contribution to the Pensions Fund would result in similar increases in labour remuneration of households.

## GDP<sup>1</sup> and Inflation Forecast Revisions (4 December 2025 *vis-à-vis* 26 June 2025)

Annual rate of change, per cent	Forecast of 4 December 2025				Forecast of 26 June 2025				Revision (percentage points)			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
GDP at constant prices	3.2	3.2	3.1	3.1	2.7	2.9	2.7	2.7	0.5	0.3	0.4	0.4
HICP at end of period	2.1	3.9	3.6	3.0	2.1	3.8	3.8	3.0	0.0	0.1	-0.2	0.0

Sources: NSI, BNB.

<sup>1</sup> GDP figures are seasonally and working-day adjusted.

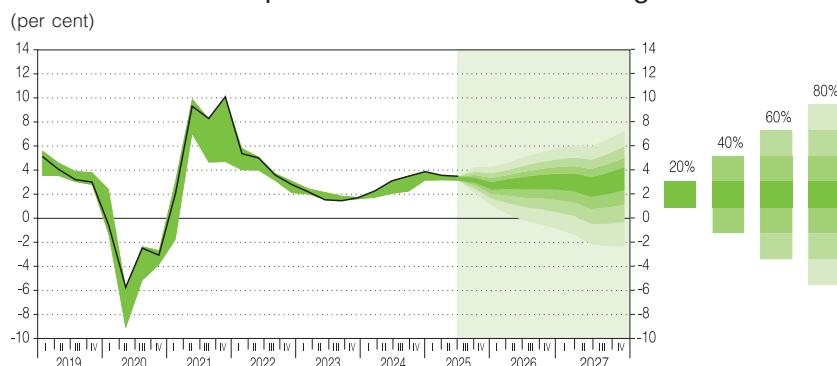
# RISKS TO THE FORECAST

Risks to the real GDP growth forecast are assessed as balanced for 2025, while for 2026 and 2027 risks of lower economic activity in Bulgaria prevail, stemming largely from potential more unfavourable global environment developments compared to external assumptions. Despite gradual fading-out of the negative effects of the uncertain global environment projected in the baseline scenario, there are still risks of lower growth in global trade and external demand for Bulgarian goods and services, along with an increased volatility in commodity prices over the projection horizon. Internal risks are associated with the continued activity of Lukoil Neftochim Burgas AD and an eventual incomplete recovery of its production activity and exports in the face of a heightened geopolitical and regulatory uncertainty.<sup>23</sup>

The current macroeconomic forecast reflects fiscal measures included in the Draft Law on the 2026 State Budget and the Updated Medium-Term Budget Forecast for 2026–2028, representing motives thereto, submitted to the National Assembly on 13 November 2025. Given the ongoing domestic political situation and already withdrawn Draft Law on 2026 State Budget, the uncertainty in the forecast stems from the parameters to be included in the final budgetary framework for 2026 and the UMTBF. This uncertainty relates to both tax insurance policy and public staff expenditure, having a direct impact on household disposable income and government consumption, as well as on government investments. In addition, there is a risk of lower real GDP growth in Bulgaria in case of a slower than projected implementation of investment projects financed by both national and

EU funds. On the other hand, higher than projected defence expenses under public consumption would lead to higher GDP growth. Risks to private consumption growth are assessed as balanced over the projection horizon. Consumer expenditure is likely to be lower than projected in the baseline scenario in case of a lower than anticipated increase in wages and fiscal transfers to households. On the other side, household consumption could be supported by a lower than projected propensity of households to save.

**Fan Chart of the Expected Annual Rate of Change in Real GDP**



**Notes:** The chart provides historical series (including revisions) and the annual real GDP growth forecast according to seasonally and working-day adjusted data. The black line shows the annual change in real GDP according to the latest available data of the NSI. The fan chart shows expert views of the forecasters on the uncertainty surrounding the projected value based on a probability distribution. The reporting period includes revised GDP growth estimates, with the latest reporting periods revised on fewer occasions, thus narrowing the band. The middle band of the projected horizon chart, depicted in the darkest colour, includes the central projection and the probability distribution shows a 20 per cent probability for the actual value to fall in this band in each of the quarters. If neighbouring bands (in the same brighter colour) are added to the middle band, there would be a 40 per cent coverage of the probability mass. Thus, by adding each same colour couple of bands, the probability for the value to fall there would be increased by 20 percentage points to reach 80 per cent. The probability for the value to remain outside the coloured part of the chart is 20 per cent based on the distribution chosen.

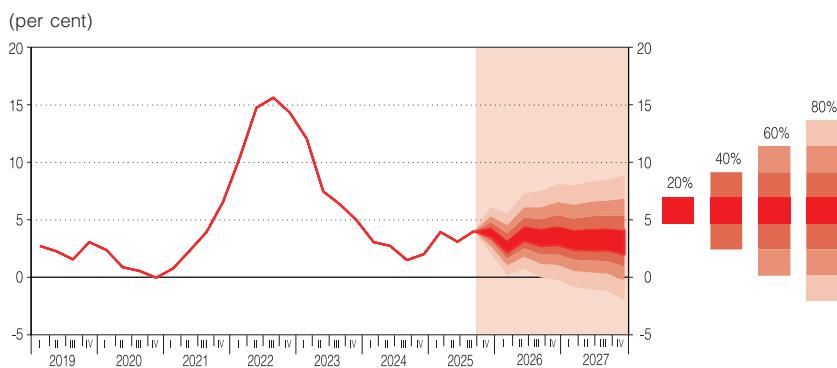
Sources: NSI, BNB.

<sup>23</sup> According to BNB calculations based on Moody's Orbis Database and company's financial statements, as of end-2024 Lukoil Neftochim Burgas employees were 1250 and people employed in all Lukoil group companies in Bulgaria – 3655, accounting for around 0.1 per cent of total employment in Bulgaria in 2024. Lukoil Neftochim Burgas generates approximately 5 per cent of goods exports and about 8 per cent of goods imports in Bulgaria for 2024.

The forecast uncertainty for a particular indicator may be graphically illustrated by means of a fan chart. Chart bands of a particular colour indicate an interval within which the forecast value is expected to fall with a certain probability<sup>24</sup> (for details, see the notes to the charts). Usually, each interval widens with the increase in the forecast horizon, reflecting the increasing uncertainty further into the future. The middle band of the chart, depicted in the darkest colour, includes the baseline scenario of the annual rate of change of real GDP, and the constructed distribution shows a 20 per cent probability for the actual value to fall within this band in each of the quarters. According to the probability distribution for 2026, with a 60 per cent probability the annual rate of change of real GDP is expected to be in the range of 0.8 per cent to 4.5 per cent.

In the inflation forecast, there are prevailing risks of higher growth of consumer prices compared to the baseline scenario throughout the entire projection horizon. Regarding the internal macroeconomic environment, these risks are mainly related to the likelihood of faster and stronger pass-through by firms of rising labour costs to final consumer prices and possible higher than expected inflation in administratively controlled prices. At the same time, a risk that could lead to a lower growth rate of compensation *per* employee, and accordingly, of unit labour costs stems from a projected increase in the pension contribution in 2026, which may not materialise following the withdrawn draft 2026 State Budget Law. Regarding the external environment, the increased global geopolitical tension creates risks of a sharp rise in the prices of key raw materials, such as oil, which would

**Fan Chart of Expected Inflation on an Annual Basis at the End of the Period**



Notes: The fan chart shows the expert views of the forecasters on the uncertainty surrounding the projected value based on a probability distribution. The middle band of the chart, depicted in the darkest colour, includes the central projection and the probability distribution shows 20 per cent probability for the actual value to fall in this band in each of the quarters. If neighbouring bands (in the same brighter colour) are added to the middle band, there would be a 40 per cent coverage of the probability mass. Thus, by adding each same colour couple of bands, the probability for the value to fall there would be increased by 20 percentage points to reach 80 per cent. The probability for the value to remain outside the coloured part of the chart is 20 per cent based on the distribution chosen.

Sources: NSI, BNB.

have a proinflationary effect given the structural characteristics of the Bulgarian economy. External risks to the materialisation of lower than projected inflation arise mainly from potential negative effects of ongoing trade fragmentation, which could lead to weaker global economic activity and a stronger decline in commodity prices compared to the technical assumptions of the forecast.

The fan chart of inflation shows that there is a 60 per cent probability that annual consumer price inflation will range from 1.1 per cent to 6.6 per cent at end-2026.

<sup>24</sup> The fan chart is constructed on the basis of the so-called asymmetric exponential distribution. To present the forecasting team's estimate of the uncertainty of projected values, it is necessary to estimate the general uncertainty of the forecast (by determining the dispersion  $\sigma$  of the distribution) and so-called balance of risks (by determining the asymmetry parameter  $\nu$  of the distribution), indicating in which direction the realised value is more likely to deviate from the projection. The balance of risks is determined subjectively by the forecasters on the basis of possible changes in the structure of the economy, inaccuracies in the information available at the time of the forecast production, imperfections in forecasting methods employed, forthcoming economic policy decisions, etc. Historical data on the average forecast error made by the BNB experts when preparing previous forecasts are used to determine the general uncertainty to the forecast. For details on the construction of the fan chart, see the highlight on *Measurement and Presentation of Uncertainty in Forecasting Economic Indicators*, *Economic Review*, issue 1 of 2012.

## Forecast of Key Macroeconomic Indicators for 2025–2027

(per cent)

	2024	2025	2026	2027
<b><i>Annual rate of change</i></b>				
GDP at constant prices <sup>1</sup>	3.2	3.2	3.1	3.1
Private consumption	5.0	7.9	3.8	3.6
Government consumption	3.9	5.6	3.4	4.0
Gross fixed capital formation	3.5	11.0	-1.9	6.1
Exports of goods and services	1.7	-4.5	5.5	3.3
Imports of goods and services	3.9	3.6	4.7	4.9
HICP (average for the period)	2.6	3.6	3.5	3.2
HICP (at end of period)	2.1	3.9	3.6	3.0
Core Inflation <sup>2</sup>	2.5	3.3	4.0	2.5
Food <sup>2</sup>	3.4	7.3	5.2	4.1
Energy products <sup>2</sup>	-3.2	-1.3	-2.6	3.2
Employment <sup>1</sup>	1.0	1.8	0.7	0.2
Unit labour costs <sup>1</sup>	11.4	9.9	9.3	6.4
Labour productivity <sup>1</sup>	2.1	1.4	2.4	2.9
Unemployment rate (share of labour force, per cent) <sup>1</sup>	4.2	3.6	3.4	3.1
Claims on the non-government sector	14.5	14.7	11.6	10.0
Claims on corporations <sup>3</sup>	10.3	9.8	8.3	8.0
Claims on households	20.8	20.5	15.7	12.5
Deposits of the non-government sector	10.1	14.6	9.1	8.6
<b><i>Share of GDP</i></b>				
Balance of payments current account	-1.6	-4.5	-3.4	-3.7
Trade balance	-4.8	-7.7	-7.0	-7.7
Services, net	7.3	6.9	7.0	7.0
Primary income, net	-5.0	-4.9	-4.5	-4.5
Secondary income, net	1.0	1.2	1.1	1.5
<b><i>Annual rate of change</i></b>				
External assumptions				
External demand	1.9	3.8	2.5	3.2
Average annual Brent oil price (in USD)	-2.9	-14.8	-9.7	0.2
Average annual price of non-energy products (in USD) <sup>4</sup>	3.5	4.4	2.6	2.2
Brent oil price at the end of period (in USD)	-12.6	-14.3	-2.7	1.3
Price of non-energy products at the end of period (in USD)	4.8	4.4	2.9	2.1

<sup>1</sup> Seasonally and working-day adjusted data.

<sup>2</sup> The main HICP components correspond to Eurostat's classification. Core inflation includes prices of services and industrial goods.

<sup>3</sup> Data refer to non-financial corporations.

<sup>4</sup> Prices of non-energy products are weighted according to the structure of Bulgarian imports of goods.

Sources: BNB, NSI and ECB.

# THE BNB MACROECONOMIC FORECAST IN THE FRAMEWORK OF THE EUROSYSTEM AND ECB PROJECTION EXERCISES

The current macroeconomic forecast of the BNB is prepared in line with the approved schedule and framework for producing macroeconomic projections of NCBs of the Eurosystem and ECB staff. It is included in the aggregate indicators of the euro area macroeconomic forecast published by the ECB on 18 December 2025.

The framework for producing Eurosystem and ECB staff macroeconomic projections is described in detail in the *Guide to the Eurosystem/ECB Staff Macroeconomic Projection Exercises, ECB, July 2016* (in English). It aims to ensure methodological consistency, analytical coherence and comparability of macroeconomic forecasts for individual Member States and the euro area as a whole.

Eurosystem NCBs and the ECB produce macroeconomic projections four times a year:

- In March and September, the **ECB staff macroeconomic projection exercises (MPE)** are finalised and published. They are prepared by ECB staff, with the NCBs providing only short-term inflation forecasts on a monthly basis for relevant countries. Although ECB staff projections are not subject to a formal consultation process with NCBs, their production is based on a regular interaction among ECB and NCB experts. The March and September projections published by the ECB concern the euro area as a whole.
- In June and December, the **Eurosystem staff Broad Macroeconomic Projection Exercises (BMPE)** are finalised and published. They are prepared by Eurosystem NCBs staff through a coordination process with ECB experts. Each NCB develops forecasts of the country's economy, with the euro area forecast being derived by aggregating national forecasts. Two weeks after the publication of the euro area aggregate result, projections of key macroeconomic indicators for individual euro area countries are also made public on the ECB's website.

The projection horizon covers the current and the following two years, with December projections extended to include the current and the following three years.

Within the Eurosystem projection exercises, NCBs, including the BNB, prepare macroeconomic projections for their economies according to a schedule approved by the ECB and based on an agreed set of technical assumptions about the external environment, such as energy and non-energy commodity price developments, exchange rates, interest rates and external demand. The methodological approach is based on a combination of macroeconomic models, simulations and expert estimates in applying harmonised definitions and concepts of key macroeconomic indicators.

As a result of applying this framework in the BNB forecasting process, a number of methodological changes have been introduced, including principally the following:

1. seasonally and working-day adjusted data published by the NSI are used to project quarterly dynamics of macroeconomic indicators unlike the previous approach, under which the BNB performed its own adjustment of non-seasonally adjusted quarterly series provided by the NSI;
2. the forecast of annual average GDP values and its components is produced as the sum of seasonally and working-day adjusted quarterly data, instead of the previous approach for forecasting non-adjusted quarterly data and aggregating them to annual figures;
3. the forecast of private sector's fixed capital investments is now compiled as the sum of the housing and business investment forecasts (other private investments excluding housing);
4. the forecast of inflation for the first year of the forecast horizon is produced by month on the basis of a disaggregated HICP breakdown at a thirty sub-components level;

5. the inflation forecast is drawn up on the basis of groups corresponding to the Eurostat classification, and sub-components of total inflation are therefore allocated into the following groups: food (including tobacco), services, non-energy industrial goods and energy products; previous BNB forecasts used different groupings of goods and services in the consumer basket to distinguish between administratively controlled prices;
6. the forecast of working-age population and unemployed is produced based on the 15–74 age group, unlike the previous approach which was based on the 15–64 age group;
7. assumptions about developments in international food and energy commodity prices in the forecast horizon are entirely based on ECB assumptions, while the previous approach included BNB-constructed indicators based on more detailed and updated (as of a different date from the ECB) futures contracts for individual food and energy commodities.

The Eurosystem and ECB staff macroeconomic projections provide an important input to the ECB Governing Council in assessing economic developments and risks to price stability in the euro area. Projections are neither endorsed by the ECB Governing Council nor do they necessarily reflect the views of its members on the economic outlook for the euro area.

The BNB will continue publishing forecasts of key macroeconomic indicators for Bulgaria four times a year, with those in June and December being developed in accordance with the schedule for producing macroeconomic projections of the Eurosystem NCBs.

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THE SCULPTURAL COMPOSITION BY KIRIL SHIVAROV DEPICTING HERMES AND DEMETER ON THE SOUTHERN FAÇADE OF THE BULGARIAN NATIONAL BANK BUILDING IS USED IN COVER DESIGN.