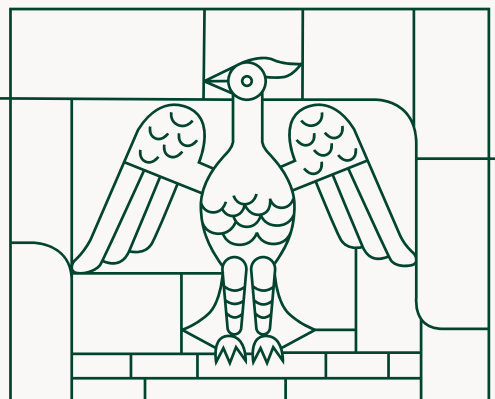




BULGARIAN  
NATIONAL BANK  
EUROSYSTEM

# Macroeconomic Forecast

MARCH  
**2026**





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# Macroeconomic Forecast (March, 2026)

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The BNB's March 2026 macroeconomic forecast is based on the ECB's assumptions about global economic developments and commodity prices in international markets as of 11 March 2026. Assumptions suggest that average quarterly oil, gas and electricity prices will peak at around USD 90 *per* barrel, EUR 59/MWh and EUR 141/MWh in the second and the beginning of the third quarters of 2026, respectively, before declining in subsequent quarters. The war in the Middle East and the resulting shipping disruptions through the Strait of Hormuz – a key route for global trade in oil and liquefied natural gas, along with attacks on energy infrastructure in the region, have led to significant instability in global energy markets and pushed up energy commodity prices as of the cut-off date of the forecast. Therefore, the degree of uncertainty surrounding the forecast remains highly elevated, with the baseline scenario being complemented by two alternative negative scenarios that aim to illustrate the potential macroeconomic effects of a stronger and more prolonged shock on the supply and prices of energy goods, without assessing the likelihood that they could actually materialise.

The baseline forecast assumes real GDP growth to reach 3.0 per cent in 2026, before moderating slightly to 2.9 per cent in 2027 and 2.8 per cent in 2028. Private consumption and, to a significantly lesser extent, government consumption and net exports are expected to contribute positively to economic activity in 2026. In 2027 and 2028, net exports are projected to contribute negatively to the growth of economic activity, while investment will contribute positively, contrary to what is forecast for 2026. Private consumption is expected to continue to have a major contribution to GDP growth throughout the projection horizon, in line with the anticipated increase in households' real disposable income and employment. Labour market conditions are expected to remain tight owing to the ongoing unfavourable demographic processes in Bulgaria, which lead to a decrease in the workforce. As a result, limited labour supply will continue to exert upward pressure on wages in real terms over the period 2026–2028. In 2026, net exports are expected to contribute positively to the increase in economic activity, reflecting the recovery in the growth of goods exports, given the underlying technical assumptions about the dynamics of external demand and the one-off effects of the completion of repairs that temporarily restrained exports in 2025. However, for the rest of the projection horizon, export growth is expected to remain weaker than historically observed, partly due to external demand assumptions. This, coupled with the acceleration in domestic demand growth and the associated increase in imports of goods and services in 2027 and 2028 at rates higher than those of exports, implies a negative contribution of net exports to GDP growth. Gross fixed capital formation is forecast to decrease in 2026 in real terms and then to increase in 2027 and 2028, this dynamics being strongly influenced by the projected profile of public investment and the time profile of the expected deliveries of military equipment to the country. In 2026, private investments are expected to continue growing, albeit at a slower pace than in 2025, with growth projected to accelerate in 2027 and 2028, in line with favourable financing conditions, rising demand and the assumption of foreign investment inflows,<sup>1</sup> as well as increasing investments in housing,<sup>2</sup> which will be boosted by both higher prices and household income growth.

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<sup>1</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>2</sup> The forecast of residential investments includes the assumption of additional investments under the national energy efficiency programme for multi-family residential buildings.

Compared to the December 2025 forecast, real GDP growth for 2026 and 2027 is expected to be lower. The revision of 0.1 percentage points for 2026 is due to lower growth in goods exports, given the stronger than initially projected export performance in the second half of 2025 and the increased uncertainty in the external environment. These factors, coupled with the observed deterioration of the business climate at the end of 2025, are also a prerequisite for lower private investment growth in 2026. For 2027, real GDP growth has been reduced by 0.2 percentage points, which is driven by expected lower government consumption.

Annual inflation measured by the Harmonised Index of Consumer Prices (HICP) is projected to accelerate to 4.0 per cent at the end of 2026 (compared to 3.5 per cent at the end of 2025), while the average annual inflation is expected to reach 3.7 per cent in 2026 (3.5 per cent in 2025). On the external macroeconomic side, the main pro-inflationary factor is expected to be the price of crude oil in the international market, which rose strongly in March driven by the escalation of tensions in the Middle East. These developments are expected to have a significant direct effect on transport fuel prices in 2026, which will be transmitted indirectly to the prices of other main groups of the consumer basket, such as food and core components, in the second half of the year. The domestic macroeconomic environment is expected to continue exerting pro-inflationary pressures through unit labour cost growth and strong private consumption, allowing for a high degree of pass-through of increased production costs to final consumer prices. In 2027, inflation is anticipated to slow to 3.0 per cent at the end of the period and to 3.2 per cent on average for the year, with the slowdown in annual average inflation driven mainly by energy components, where price growth is expected to decelerate significantly due to the high base from 2026, while services inflation is projected to remain persistently high. In 2028, average annual inflation is expected to be 3.2 per cent, as inflation in all core sub-components of the consumer basket is anticipated to slow down from the previous year, except for the group of energy products, where an acceleration in inflation is projected as a result of the envisaged introduction of the ETS 2 system in the EU<sup>3</sup>. According to BNB estimates, the introduction of EST 2 in Bulgaria, without the parallel introduction of fiscal compensatory measures intended to affected households, will lead to 0.5 percentage points higher annual average inflation in 2028.

The inflation forecast has been revised towards higher growth in consumer prices, both at the end and on an annual average basis for 2026, mainly due to an upward revision in the international crude oil price assumptions. For 2027, the headline inflation forecast has not changed significantly, but by sub-component, there are offsetting revisions. Core inflation for 2027 has been increased in line with the expected indirect effects of the increase in energy prices in the previous year, while energy product prices are expected to grow at a lower pace due to a base effect of their significant increase in 2026.

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<sup>3</sup> The EU Emission Trading System 2 (ETS 2) is an emissions trading mechanism that imposes a price on carbon emissions by placing obligations on fuel suppliers. For more information, see the box entitled [The Macroeconomic impact of climate change policies in the euro area](#), ECB, Eurosystem staff macroeconomic projections, December 2025.

## GDP<sup>4</sup> and Inflation Forecast Revisions (25 March 2026 *vis-à-vis* 4 December 2025)

| Annual rate of change, per cent | Forecast of 25 March 2026 |      |      |      | Forecast of 4 December 2025 |      |      |      | Revision (percentage points) |      |      |      |
|---------------------------------|---------------------------|------|------|------|-----------------------------|------|------|------|------------------------------|------|------|------|
|                                 | 2025                      | 2026 | 2027 | 2028 | 2025                        | 2026 | 2027 | 2028 | 2025                         | 2026 | 2027 | 2028 |
| GDP at constant prices          | 3.2                       | 3.0  | 2.9  | 2.8  | 3.2                         | 3.1  | 3.1  | -    | 0.0                          | -0.1 | -0.2 | -    |
| HICP at end of period           | 3.5                       | 3.7  | 3.2  | 3.2  | 3.6                         | 3.5  | 3.2  | -    | -0.1                         | 0.2  | 0.0  | -    |

Sources: BNB, NSI.

Risks to the real GDP growth and inflation forecast in Bulgaria are primarily oriented towards lower than projected growth of economic activity in the baseline scenario and possibly higher inflation. These risks stem mainly from the external macroeconomic environment given the hostilities in the Middle East, the aggravation of geopolitical clashes and the rise in energy commodity prices. As regards the domestic economic environment, the uncertainty to the forecast stems from the parameters of the State Budget Law for 2026 and the medium-term fiscal forecast, which will depend on the formation of a regular government following the upcoming parliamentary elections in April 2026 and its fiscal policy priorities.

<sup>4</sup> GDP data are seasonally and working-day adjusted.

## Forecast of Key Macroeconomic Indicators for 2026–2028

| Annual rate of change (per cent)                                  | 2025  | 2026 <sup>f</sup> | 2027 <sup>f</sup> | 2028 <sup>f</sup> |
|---|-------|-------------------|-------------------|-------------------|
| GDP at constant prices <sup>1</sup>                               | 3.2   | 3.0               | 2.9               | 2.8               |
| Private consumption   | 7.7   | 3.8               | 3.5               | 3.5               |
| Government consumption  | 7.0   | 3.5               | 3.1               | 3.1               |
| Gross fixed capital formation                                     | 10.3  | -1.7              | 3.0               | 3.8               |
| Exports of goods and services                                     | -2.1  | 4.5               | 3.4               | 3.4               |
| Imports of goods and services                                     | 5.9   | 4.0               | 3.9               | 4.5               |
| HICP (average for the period)                                     | 3.5   | 3.7               | 3.2               | 3.2               |
| HICP (at end of period)   | 3.5   | 4.0               | 3.0               | 2.8               |
| Core Inflation <sup>2</sup>                                       | 2.5   | 3.7               | 2.8               | 2.3               |
| Food <sup>2</sup>   | 6.3   | 5.2               | 3.7               | 2.9               |
| Energy products <sup>2</sup>                                      | 1.8   | 2.7               | 2.5               | 5.2               |
| Employment <sup>1</sup>   | 2.1   | 0.9               | 0.4               | 0.2               |
| Unit labour costs <sup>1</sup>                                    | 9.0   | 6.3               | 6.3               | 6.3               |
| Labour productivity <sup>1</sup>                                  | 1.1   | 2.1               | 2.5               | 2.6               |
| Unemployment rate (share of labour force, per cent) <sup>1</sup>  | 3.5   | 3.4               | 3.1               | 3.0               |
| Loans to non-financial corporations and households <sup>3</sup>   | 15.3  | 11.6              | 10.2              | 8.5               |
| Loans to non-financial corporations                               | 9.9   | 7.6               | 7.8               | 5.8               |
| Loans to households   | 21.1  | 15.5              | 12.3              | 10.8              |
| Deposits of the non-government sector                             | 16.4  | 8.4               | 8.2               | 7.6               |
| Per cent of GDP   | 2025  | 2026 <sup>f</sup> | 2027 <sup>f</sup> | 2028 <sup>f</sup> |
| Balance of payments current account                               | -5.9  | -5.0              | -4.4              | -5.0              |
| Trade balance   | -8.2  | -7.8              | -7.9              | -8.3              |
| Services, net   | 6.7   | 6.9               | 6.9               | 7.0               |
| Primary income, net   | -5.6  | -5.2              | -5.0              | -4.9              |
| Secondary income, net   | 1.1   | 1.1               | 1.7               | 1.2               |
| Annual rate of change (per cent)                                  | 2025  | 2026 <sup>f</sup> | 2027 <sup>f</sup> | 2028 <sup>f</sup> |
| External assumptions  |       |                   |                   |                   |
| External demand   | 3.8   | 2.5               | 3.2               | 3.3               |
| Average annual Brent oil price (in USD)                           | -14.9 | 17.6              | -11.2             | -2.7              |
| Average annual price of non-energy products (in USD) <sup>4</sup> | 4.3   | 4.7               | 1.8               | 1.7               |
| Brent oil price at the end of period (in USD)                     | -14.8 | 21.7              | -8.7              | -1.0              |
| Price of non-energy products at the end of period (in USD)        | 4.8   | 4.2               | 1.6               | 1.9               |

Notes:

1. Seasonally and working-day adjusted data.
2. The main components of the HICP correspond to Eurostat's classification. Core inflation includes the prices of services and industrial goods.
3. Include loans and repo transactions.
4. Prices of non-energy products are weighted according to the structure of Bulgarian imports of goods.

Sources: BNB, NSI and ECB.

# Highlight

## Alternative Scenarios for the Economic Implications of the War in the Middle East

Given the high degree of uncertainty surrounding the development of the military conflict in the Middle East and its impact on international oil and natural gas prices, as well as on global economic activity, the baseline macroeconomic forecast is complemented by two alternative scenarios: an adverse and a severe. They have been developed through simulations with the BNB's macroeconomic forecast model and applying the assumptions used in the euro area macroeconomic projections published by the ECB on 19 March 2026.<sup>1</sup> These scenarios illustrate possible macroeconomic effects in the event of a stronger and more prolonged shock on supply and prices of energy products. They do not include an assessment of the likelihood of their materialisation and do not take into account the effects of potential monetary and fiscal policy measures.

### Description of the Adverse and Severe Scenarios

The adverse and severe scenarios have been prepared by the BNB based on the assumptions developed by the ECB, which differ in three key factors: (1) the size of the initial shock in supply and prices of energy commodities in international markets; (2) persistence of disruptions in the supply chains of these commodities; and (3) the degree of uncertainty in international financial markets.

- **Adverse Scenario:** It is assumed that in the second quarter of 2026, around 40 per cent of the usual flows of oil and liquefied natural gas passing through the Strait of Hormuz will be temporarily hampered, mainly due to the blockade of transport routes. It is also assumed that there will be no significant damage to the energy infrastructure in the region. This would result in a significant but short-lived increase in energy commodity prices and a moderate increase in the uncertainty in international financial markets. Disruptions in the supplies of these commodities would persist until the third quarter of 2026, followed by a relatively rapid recovery in trade flows.
- **Severe Scenario:** This scenario assumes a more intense and prolonged shock to the energy commodity supply, including a suspension of around 60 per cent of the flows in the Strait of Hormuz. In addition to logistical difficulties, there is also a risk of direct damages to the energy infrastructure of energy-exporting countries in the Middle East as a result of military operations, which would significantly prolong the time required to restore the supplies of these commodities. Volumes would only begin to return to normal in the first quarter of 2027, and the process would be gradual. Accordingly, the uncertainty in international financial markets would be more intense and prolonged, further amplifying the negative economic effects.

### Transmission Mechanism to the Bulgarian Economy

The scenarios for Bulgaria take into account the main channels through which external shocks are transmitted to a small open economy. First, the external demand channel plays a key role, reflecting the impact of the economic activity slowdown in Bulgaria's trading partners on exports of Bulgarian goods and services. Second, the pass-through channel to final consumer prices, where higher euro area non-energy commodity prices affect corresponding prices in Bulgaria, is included.

<sup>1</sup> For further details, see *ECB staff macroeconomic projections, March 2026*.

Oil and natural gas prices have a direct effect on consumer prices of energy products in Bulgaria. At the same time, they also have an indirect impact on the other main groups of the Harmonised Index of Consumer Prices, particularly on food and services prices, *via* rising production costs of corporations. Second-round effects from higher oil and natural gas prices on inflation could arise from wage indexation and an associated rise in unit labour costs.

As regards food prices, the simulation assumes a degree of pass-through of energy prices to food prices, corresponding to the rate observed in 2022-2023, which is higher than the average estimated historical elasticity. This assumption reflects an expectation that additional second-round effects may intensify in the context of severe energy shocks.

### Simulation Results

Simulation results show that if the adverse and severe scenarios for Bulgaria materialise, higher inflation and lower economic activity growth compared to the baseline projections can be observed, with the effects being stronger and more prolonged under the severe scenario.

According to the adverse scenario, inflation would increase in 2026, mainly driven by energy prices, with price pressures thereafter gradually transmitted to food and, to a more limited extent, to core inflation. Over the whole projection period, inflation would be higher than in the baseline projections by 0.7 percentage points in 2026, by 1.4 percentage points in 2027 and by 0.6 percentage points in 2028. The maximum effect would emerge in 2027, reflecting both estimated delayed pass-through of higher euro area non-energy goods prices to Bulgaria and delayed indirect effects on the other HICP components. The impact on economic activity would be relatively short-lived, with real GDP growth being lower by 0.3 percentage points in 2026 compared to the baseline forecast, followed by a gradual recovery as the shock in external demand subsides. As a result, economic activity growth in 2027 and 2028 would be 0.2 percentage points higher than the baseline, mainly due to the lower 2026 base. The level of real GDP in the adverse scenario reverts to its baseline projections values in 2028.

The severe scenario shows more intense and prolonged inflationary pressures. The initial shock in the prices of energy products would be larger and more persistent, leading to a more pronounced pass-through to food prices and subsequently to an acceleration in core inflation over the projection horizon. The acceleration in core inflation reflects both indirect effects of higher prices of energy products and food and additional second-round effects. As a result, headline inflation would be higher than in the baseline by 1.2 percentage points in 2026, by 3.4 percentage points in 2027 and by 2.3 percentage points in 2028, reflecting stronger indirect and second-round effects. Concurrently, economic activity would slow down significantly for a longer period, with real GDP growth being lower by 0.6 percentage points in 2026 and by 0.3 percentage points in 2027 compared to the baseline forecast. In 2028, GDP growth would be higher than in the baseline projections, due to the lower base in the previous two years. Real GDP would remain below the baseline level throughout the entire forecast horizon.

**TABLE 1**

### Simulation Results of the Effects of the War in the Middle East on the Bulgarian Economy under the Adverse and Severe Scenarios

#### Effects on GDP and Average Annual Inflation in Bulgaria (percentage points deviation from baseline)

|                  | Change in Real GDP |      |      | Average Annual Inflation (HICP) |      |      |
|------------------|--------------------|------|------|---------------------------------|------|------|
|                  | 2026               | 2027 | 2028 | 2026                            | 2027 | 2028 |
| Adverse Scenario | -0.3               | 0.2  | 0.2  | 0.7                             | 1.4  | 0.6  |
| Severe Scenario  | -0.6               | -0.3 | 0.4  | 1.2                             | 3.4  | 2.3  |

Source: BNB.

**TABLE 2****Simulation Results of the Effects of the War in the Middle East on the Bulgarian Economy under the Adverse and Severe Scenarios****Effects of Average Annual Inflation in Bulgaria by Component***(percentage points deviation from baseline)*

|  | Adverse Scenario |      |      | Severe Scenario |      |      |
|--|------------------|------|------|-----------------|------|------|
|  | 2026             | 2027 | 2028 | 2026            | 2027 | 2028 |
| Headline Inflation as Measured by HICP | 0.7              | 1.4  | 0.6  | 1.2             | 3.4  | 2.3  |
| Food Inflation                         | 1.2              | 3.1  | 1.7  | 1.8             | 5.5  | 3.7  |
| Inflation in Energy Products           | 2.7              | -0.4 | -1.9 | 4.6             | 5.1  | -0.7 |
| Core Inflation                         | 0.1              | 1.0  | 0.6  | 0.3             | 2.1  | 2.2  |

Source: BNB.

**Constraints Related to Scenario Preparation**

It should be noted that the simulations are illustrative and aim to present the main economic mechanisms through which the war in the Middle East would affect the Bulgarian economy. Therefore, by their construction, they do not cover all factors that could significantly affect consumer price developments and economic activity. First, simulations do not assume a shut-down of crude oil physical deliveries to Bulgaria. Moreover, there is no additional monetary and fiscal policy response beyond that already projected in the baseline, nor any effects on inflation and economic activity of a potential deterioration in household and corporate perceptions. In fact, the significant inflation increase, especially under the severe scenario, would likely trigger monetary policy tightening in the euro area, as well as implementation of various fiscal measures to support vulnerable households and firms. While monetary policy tightening would be a precondition for lower inflation than presented in the alternative scenarios, the impact of fiscal policy measures on inflation and economic activity would not be straightforward and would depend on the orientation, scope and impact of the measures on aggregate demand.

In addition, some additional transmission channels are not explicitly included in the analysis. One of them is the impact on electricity prices given the high integration of the Bulgarian market with those of Romania and Greece, where natural gas plays a significant role in electricity production. Another channel relates to the international market of fertilisers, given the role of natural gas as the main raw material for their production and the fact that a significant part of the global trade in fertilisers passes through the Strait of Hormuz. This creates prerequisites for an increase in international prices of the main agricultural products.

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