

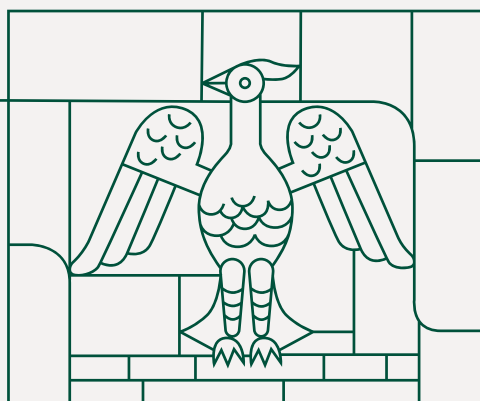


BULGARIAN
NATIONAL BANK
EUROSYSTEM

Macroeconomic Forecast

SEPTEMBER

2026



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Macroeconomic Forecast (September, 2026)

The BNB forecast of key macroeconomic indicators was prepared as of 21 September, based on the ECB assumptions about global economic developments and prices of main commodity groups in international markets as of 19 August 2026.

The ongoing conflict in the Middle East and bottlenecks in the supply of energy commodities through the Strait of Hormuz maintain a heightened uncertainty to the forecast. Baseline assumptions suggest a gradual decline in average quarterly oil prices over the projection horizon, their level expected to be around USD 86 per barrel in the fourth quarter of 2026. Natural gas and electricity prices are set to peak at around EUR 60 *per* MWh and EUR 146 *per* MWh, respectively, over the same quarter, thereafter following a downward trend. Similar to the June 2026 forecast, the baseline of the forecast is complemented by three alternative scenarios. They illustrate the potential macroeconomic effects of different developments in the supply and prices of energy commodities, without assessing the likelihood of their materialisation.

According to the forecast baseline, Bulgaria's real GDP growth will slow down to 2.8 per cent in 2026 and 2.5 per cent in 2027, thereafter accelerating to 2.7 per cent in 2028. In 2026, all domestic demand components are expected to support economic activity, and net exports to have a strong negative contribution to the growth due to a decline in exports and a significant increase in imports. At the same time, the slowdown in real GDP growth compared with the previous year is expected to stem predominantly from the projected lower growth in public expenditure and investments, rather than from a more negative contribution of net exports of goods and services¹. Lower government consumption growth in 2026 is mainly driven by the expected weaker increase in compensation of employees in the public sector². Despite the projected slowdown, public investment growth will remain high in 2026, mainly supported by completed projects under the National Recovery and Resilience Plan (NRRP).

In 2027, the projected slight moderation in GDP growth reflects exclusively the lower growth in domestic demand, while the contribution of net exports is expected to turn positive. The slowdown in domestic demand growth was mainly driven by lower private consumption growth and a decline in fixed capital investments. Private consumption growth is projected to start slowing in the second half of 2026 and more significantly in 2027 due to the negative effects of higher inflation on real disposable income of households. The decline in investments is driven by the general government sector due to a base effect related to the completion of projects under the NRRP in 2026.

In 2028, real GDP growth is forecast to accelerate under the influence of the recovery in public investment growth, mainly due to the expected increase in investments financed by European funds. Despite the accelerated exports growth at the end of the projection horizon, exports are expected to grow at a slower pace than historically observed, in line with the assumptions for external demand and reflecting signs of deteriorating competitiveness of Bulgarian goods exporters³.

¹ Net exports had a significant negative contribution to the GDP growth also in 2025, but this was largely due to one-off factors limiting exports of goods.

² Wage developments in the public sector are in line with the income policy for public sector employees set out in the State Budget Law of the Republic of Bulgaria for 2026.

³ For an analysis of the factors behind goods exports dynamics, see the topical research 'Competitiveness of Bulgarian Exports of Goods after 2022'.

Compared with the June 2026 forecast, we expect a similar growth rate of real GDP in 2026 and lower growth for 2027 and 2028. The revision by -0.2 percentage points for 2027 is mainly due to updated estimates of the trajectory of fixed capital investments, which in the current forecast decline in real terms in 2027 (as opposed to growth in the June forecast), following a significant upward revision of general government investments for 2026, assuming almost full implementation of NRRP projects. This revision of domestic demand components is partly offset by lower growth in goods imports, turning the contribution of net exports from negative to positive. The decrease in real GDP growth in 2028 (by 0.2 percentage points) in the current forecast is mainly due to lower private consumption growth as a result of the downward revision of private and public sector wage growth in 2027 and 2028 and lower fiscal transfers to households, which further dampen household purchasing power *vis-à-vis* the conductive June forecast.

Annual HICP inflation is expected to accelerate to 5.2 per cent at the end of 2026 (from 3.5 per cent at the end of 2025), while average annual inflation is anticipated to be 4.6 per cent in 2026 (against 3.5 per cent in 2025). The acceleration compared to 2025 is mainly due to inflation in energy products and, to a much lesser extent, in services, while the increase in prices of food and industrial goods is expected to slow down. Significant pro-inflationary pressures are stemming from the external environment. International crude oil prices are expected to have a 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. We expect the domestic macroeconomic environment to continue exerting pro-inflationary pressures, driven by robust private consumption, which remains conducive to a more complete and direct pass-through of higher production costs to final consumer prices. In 2027, inflation is expected to slow down to 3.1 per cent on average for the year (2.9 per cent at the end of the period), with energy products contributing most to the slowdown mainly due to the high base of 2026 and the baseline assumptions for commodity price dynamics in international markets. Services inflation is expected to remain high in 2027, and food inflation to accelerate due to indirect effects of the increase in energy prices over the previous year. Average annual inflation in 2028 is projected to continue slowing down and to stand at 2.9 per cent (2.6 per cent at the end of the year). We expect price increases across all major components of the consumer basket to moderate compared with the previous year, with the exception of energy products, reflecting the planned introduction of ETS2 in the EU.⁴ According to BNB estimates, the ETS2 introduction in Bulgaria without parallel fiscal compensatory measures for affected households would lead to 0.5 percentage points higher average annual inflation in 2028.

The inflation forecast has been revised downward, with lower projected consumer price growth both at the end of the year and on an annual average basis for 2026, reflecting primarily a downward revision in food inflation given the lower-than-expected increase in food prices over the last reporting months relative to the June 2026 forecast. A further factor contributing to the downward revision compared with June is the assumption of weaker second-round effects from higher energy prices on other inflation components, in light of the pass-through observed in the latest available data. For 2027, the headline inflation forecast has also been revised towards a lower price increase, particularly in the food group.

⁴ 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.

GDP⁵ and Inflation Forecast Revisions (September 2026 *vis-à-vis* June 2026)

Annual rate of change (per cent)	Forecast of September 2026				Forecast of June 2026				Revision (percentage points)			
	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
GDP at constant prices	3.2	2.8	2.5	2.7	3.2	2.8	2.7	2.9	0.0	0.0	-0.2	-0.2
HICP at end of period	3.5	4.6	3.1	2.9	3.5	5.0	3.5	2.9	0.0	-0.4	-0.4	0.0

Sources: BNB, NSI.

Against the backdrop of heightened geopolitical tensions between the United States and Iran and the associated increase in international energy commodity prices, the uncertainty surrounding the outlook for the Bulgarian economy remains high. Taking into account the technical assumptions regarding the external economic environment underlying the baseline, risks to the real GDP growth forecast are assessed as broadly balanced for 2026, while for 2027 and 2028 risks are tilted towards lower-than-projected growth. At the same time, risks to the inflation forecast are assessed as tilted to the upside in 2026 and 2027, while remaining broadly balanced for 2028, with these risks stemming primarily from the external environment. Given the geopolitical situation in the Middle East as of the end of September, crude oil prices are likely to remain above the level assumed in the forecast baseline until the end of 2026. This would lead to higher inflation in energy products for 2026, which will be passed on to the other inflation components at the end of 2026 and in 2027. This, in turn, would have a negative impact on real household income and would increase firms' production costs, which will adversely affect private consumption and investment activity in 2026 and 2027. Consumer expenditure growth could be further constrained, albeit from the historically high rates recorded in the first half of 2026, should the adverse developments in the labour market observed since the second quarter of 2026 intensify in view of weaker domestic labour demand and a decline in real compensation *per* employee. Meanwhile, the currently strong growth of private consumption could persist through the end of 2026 if the adverse effects of higher inflation were to materialise later than envisaged in the baseline. The uncertainty surrounding the forecast arises from the parameters of the budgetary framework, which could result in lower GDP growth, in view of the substantial deceleration in current expenditure growth in 2027 and 2028 envisaged in the Updated Medium-Term Budget Forecast (UMTBF) for 2026–2028 compared with the assumptions incorporated into the current BNB forecast. The parameters of the budgetary framework presented in the UMTBF for 2026–2028 are not fully reflected in the current forecast due to the lack of specific measures that would contribute materially to the fiscal consolidation envisaged by the government. Additional uncertainty to the current forecast also stems from the draft State Budget Law for 2027 and the new medium-term fiscal forecast of the government, which are expected to be published in October.

⁵ GDP figures are seasonally and working-day adjusted.

Forecast of Key Macroeconomic Indicators for 2026–2028

Annual rate of change (per cent)	2025	2026 ^f	2027 ^f	2028 ^f
GDP at constant prices ¹	3.2	2.8	2.5	2.7
Private consumption	7.8	7.7	3.4	2.9
Government consumption	6.9	2.6	2.4	2.3
Gross fixed capital formation	10.1	12.4	-5.1	2.8
Exports of goods and services	-2.1	-1.3	3.6	3.7
Imports of goods and services	5.9	7.3	1.8	3.8
HICP (average for the period)	3.5	4.6	3.1	2.9
HICP (at end of period)	3.5	5.2	2.9	2.6
Core Inflation ²	2.5	3.9	3.3	2.1
Food ²	6.3	2.8	3.8	2.8
Energy products ²	1.8	18.2	-1.5	5.0
Employment ¹	2.1	0.7	0.2	0.1
Unit labour costs ¹	9.0	5.1	5.4	5.0
Labour productivity ¹	1.1	2.1	2.3	2.6
Unemployment rate (share of labour force, per cent) ¹	3.5	3.4	3.2	3.0
Loans to non-financial corporations and households ³	15.3	15.6	12.0	9.7
Loans to non-financial corporations	9.9	12.1	9.4	6.8
Loans to households	21.1	18.9	14.3	12.3
Deposits of the non-government sector	16.4	8.9	7.9	7.5
Per cent of GDP	2025	2026 ^f	2027 ^f	2028 ^f
Balance of payments current account	-6.1	-8.9	-7.4	-6.7
Trade balance	-8.5	-10.7	-9.6	-9.1
Services, net	7.4	6.1	6.4	6.5
Primary income, net	-6.1	-5.5	-5.9	-5.6
Secondary income, net	1.1	1.2	1.7	1.5
Annual rate of change (per cent)	2025	2026 ^f	2027 ^f	2028 ^f
External assumptions				
External demand	3.8	2.8	3.6	3.7
Average annual Brent oil price (in USD)	-14.9	29.5	-12.8	-5.7
Average annual price of non-energy products (in USD) ⁴	4.2	7.5	3.1	1.4
Brent oil price at the end of period (in USD)	-14.8	35.4	-12.3	-3.9
Price of non-energy products at the end of period (in USD)	4.7	8.6	1.3	1.5

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. Including 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 Conflict in the Middle East

As of the cut-off date of the forecast on 21 September, the military conflict in the Middle East continues to be a source of significant uncertainty surrounding the forecast baseline. Therefore, similarly to our June 2026 forecast, the baseline scenario is complemented by three alternative macroeconomic scenarios: a milder scenario, an adverse scenario and a severe scenario. It should be noted that the forecast baseline is based on assumptions about international price dynamics in main commodity groups as of 19 August. As of 21 September, oil prices were at levels around 23 US dollars (USD) *per* barrel higher than the oil price assumptions for September in the forecast baseline.

The scenarios have been developed using the BNB's main simulation model, and their design and underlying assumptions follow those set out in the alternative scenarios of the ECB staff macroeconomic projections for the euro area published on 10 September 2026¹. These three scenarios differ in terms of the impact of the energy price shock, as well as the strength of its transmission to non-energy goods and services prices. The scenarios do not assess the likelihood of their materialisation and do not take into account the effects of potential monetary and fiscal policy measures beyond those set out in the baseline. They are purely illustrative and aim to present changes in the key macroeconomic indicators under various assumptions about international commodity price dynamics.

Description of the Alternative Negative Scenarios

The scenarios reflect the impact of the military conflict on the Bulgarian economy in case of divergent developments in international prices of oil, natural gas, electricity², food, the exchange rate of euro against the US dollar and the external demand for Bulgarian goods and services (see Chart 1). As in June, the path of international oil and gas prices in the alternative scenarios is calculated based on the distribution of expected prices of these commodities, derived from option prices as of 19 August. In the milder scenario for the fourth quarter of 2026, oil and gas prices follow the 25th percentile of these distributions: the 75th percentile in the adverse scenario and the 95th percentile in the severe scenario. These percentiles reflect market participants' assessment of the current risks surrounding energy prices and implicitly cover alternative developments for the conflict in the Middle East and the associated potential disruptions in energy supplies.

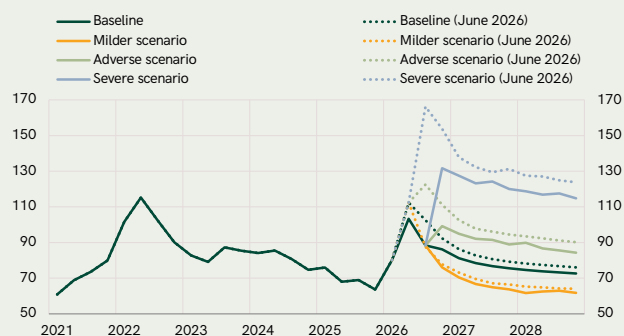
¹ For further details, see [ECB staff macroeconomic projections, September 2026](#).

² For the sake of consistency and comparability across countries, the assumptions about the trajectory of energy prices in individual scenarios are provided to the BNB by the ECB, except those for electricity for non-household consumers. Reflecting the large importance of the electricity price for non-household consumers for producer price dynamics in the Bulgarian market, it is included in the preparation of the scenarios for the Bulgarian economy, with the deviation from the baseline being derived on the basis of its historical relationship with international natural gas prices.

CHART 1

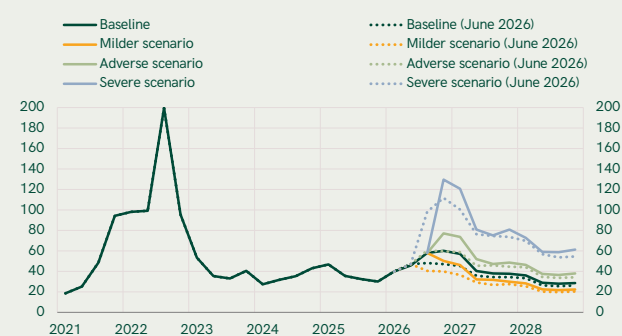
(a) International Oil Price

(USD/barrel)



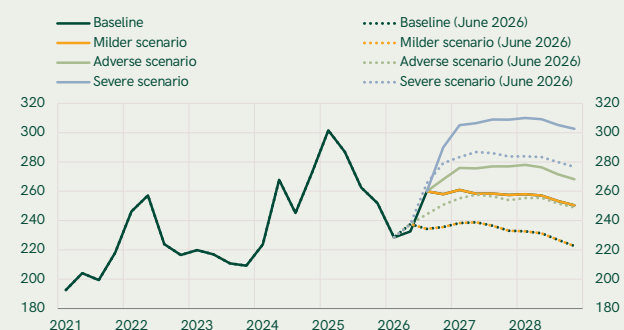
(b) International Natural Gas Price

(EUR/MWh)



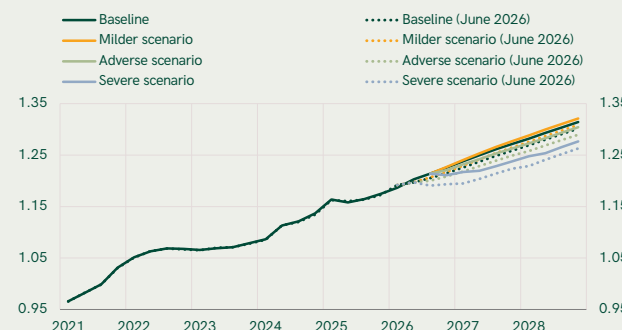
(c) International Food Prices

(USD)



(d) External Demand for Bulgarian Goods Services

(index, 2020 = 100)



Source: ECB, BNB calculations.

- Under the **milder scenario**, oil prices are assumed to fall to around USD 75 *per barrel* in the fourth quarter of 2026, compared with USD 78 *per barrel* in the June forecast, while natural gas prices are expected to reach EUR 50 *per MWh*, compared with EUR 40 *per MWh* in the June forecast. This trajectory of energy prices is consistent with market expectations that the conflict could still be resolved quickly, leading to a rapid normalisation of international oil and natural gas markets. This scenario includes additional assumptions about stronger external demand for Bulgarian goods and services *vis-à-vis* the baseline and an appreciation of the euro against the US dollar. In the milder scenario, international food prices remain unchanged compared to their baseline level.
- Under the **adverse scenario**, oil prices increase to around USD 100 *per barrel* (compared with USD 111 in the June forecast), while natural gas prices increase to around EUR 75 *per MWh* (compared with EUR 60 *per MWh* in the June forecast) in the fourth quarter of 2026. Energy product prices remain significantly above the level assumed in the baseline scenario throughout the projection horizon. This is in line with market expectations of a longer-lasting conflict than assumed in the forecast baseline. As regards food prices, an increase is also projected compared to the baseline. This scenario also includes assumptions about weaker external demand for Bulgarian goods and services and a depreciation of the euro against the dollar. In addition, the adverse

scenario also assumes emergence of non-linear indirect³ and second-round effects on inflation.

- Under the **severe scenario**, international oil prices increase by 50 per cent, while natural gas prices more than double relative to the baseline, reaching around USD 130 *per barrel* and EUR 130 *per MWh*, respectively, in the fourth quarter of 2026 (compared with USD 154 *per barrel* and 112 *per MWh*, respectively, under the severe scenario in the June forecast). Compared with the adverse scenario, the energy price and other variables shock is both stronger and highly persistent, with deviations from the baseline still being of a similar magnitude up to the end of the projection horizon. This scenario is consistent with market participants' expectations of a prolonged military conflict accompanied by disruptions in energy supplies⁴. Assumptions in this scenario also include a stronger increase in non-energy prices than in the adverse scenario, lower external demand, a stronger depreciation of the euro against the dollar and stronger indirect and second-round effects on inflation compared to the adverse scenario.

The main channels through which external shocks under the three scenarios are transmitted to the Bulgarian economy relate to the external demand for Bulgarian goods and services, international prices of food and energy resources, and the related non-linear second-round effects on inflation and GDP (see Chart 3). These channels are described in greater detail in the June 2026 BNB forecast⁵.

Simulation Results

Simulation results show that if the milder scenario for Bulgaria materialises, lower inflation can be observed over the entire forecast horizon along with a higher growth of economic activity in 2027 and 2028 compared to the baseline. At the same time, the two negative scenarios lead to higher inflation and lower growth of economic activity in 2027 and 2028 compared to the baseline, with stronger and more prolonged effects in the severe scenario (see Table 1). By component of inflation, the energy shock would have the strongest effect on energy prices and core inflation. As regards economic activity, the negative effects would most strongly impact goods and services exports, followed by fixed capital investments and private consumption (see Chart 2). Current GDP and inflation data for the first half of the year show that their dynamics is closest to the milder scenario of June 2026. As a result of the relatively favourable developments in the first six months of 2026, current scenarios show that the potential effects of the conflict in the Middle East (see Chart 4) materialise mostly in 2027.

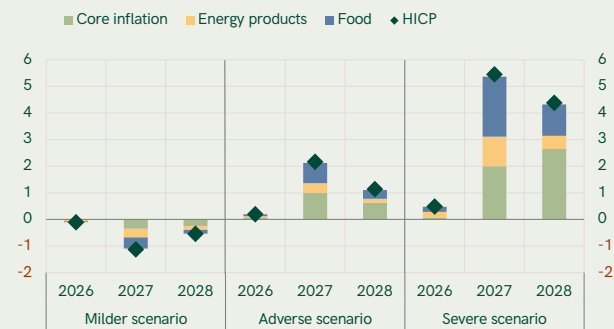
³ The different degree of non-linearity between energy prices and inflation is also reflected in the scenarios. In periods of high inflation, the transmission of the energy shock to final consumer prices may be significantly stronger than historically observed. With tight labour market conditions and larger price shocks, it is typical to observe a non-linear relationship between energy product prices and inflation, which standard linear models cannot describe. This non-linearity is reflected to a different degree in the adverse and severe scenarios. In the BNB's main simulation model, these non-linear links are captured by calibrating the coefficients in the equations used to model services inflation and food inflation in order to reflect expected stronger indirect and second-round effects of the shocks in the two negative scenarios. These calibrations are based on the estimated amount of respective coefficients over the 2022-2023 high inflation period in Bulgaria.

⁴ The trajectory of energy prices assumed under the severe scenario implies an approximately 8 per cent reduction in global oil supply and a 12 per cent reduction in liquefied natural gas supply compared to the baseline. These calculations are based on [ECB estimates](#) of the historical relationship between the volume of global supply of energy commodities and their prices.

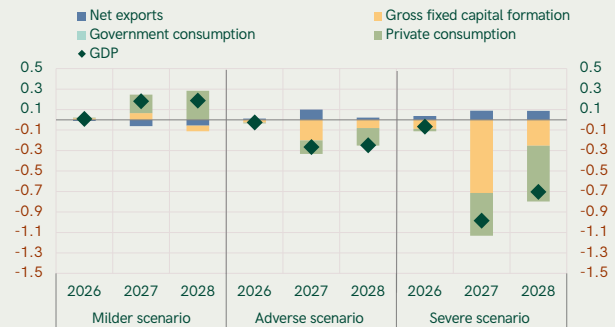
⁵ For more information, see the highlight entitled 'Alternative Scenarios for the Economic Implications of the War in the Middle East' in the [June 2026 Macroeconomic Forecast](#).

CHART 2

(a) Deviation of the HICP from the Baseline and Contributions by Component
(percentage points)



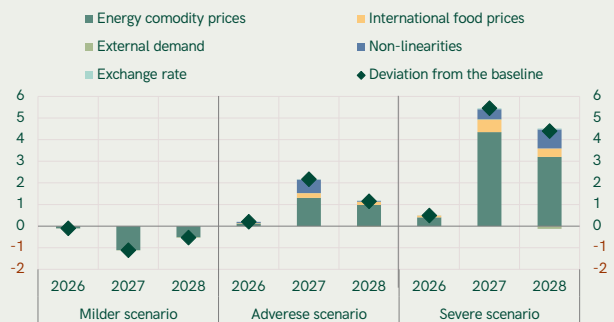
(b) Deviation of Real GDP Growth from the Baseline and Contributions by Component
(percentage points)



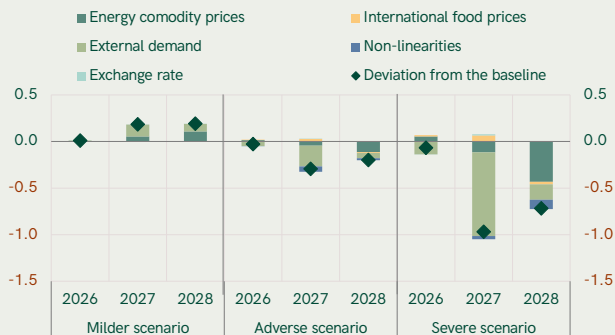
Source: BNB calculations.

CHART 3

(a) Deviation of the HICP from the Baseline and Contributions by Shock
(percentage points)



(b) Deviation of Real GDP Growth from the Baseline and Contributions by Shock
(percentage points)



Source: BNB calculations.

In the **milder scenario**, the inflation forecast is lower than in the baseline almost entirely due to the underlying dynamics of energy prices, in particular electricity prices for non-household consumers and international oil prices (see Chart 3 (a)). In 2026, inflation is 0.1 percentage points lower, amounting to 4.5 per cent on average for the year. By HICP component, the deviation from the baseline is driven mainly by the group of energy products (see Chart 2 (a)). In 2027 and 2028, consumer price growth is lower by 1.1 percentage points and 0.5 percentage points, respectively, compared to the baseline, coming to 2.0 per cent and 2.4 per cent, respectively. Core components of the consumer basket are the main contributors to lower inflation in the 2027–2028 period, reflecting the estimated pass-through of energy price developments with a time lag (see Chart 2 (a)). As regards economic activity, GDP growth remains broadly unchanged in 2026, but is 0.2 percentage points higher than the baseline in 2027 and 2028. The stronger economic activity at the end of the forecast horizon is mainly due to higher private consumption, as well as higher exports of goods and services compared to the baseline (see Chart 2 (b)).

In the **adverse scenario**, inflation is higher compared to the baseline by 0.2 percentage points in 2026, by 2.2 percentage points in 2027 and by 1.1 percentage points in 2028. The largest deviation from the baseline is observed in 2027, reflecting both delayed indirect effects of the

energy shock on the other HICP components and projected non-linear second-round effects in consumer food and services prices. In the adverse scenario, inflation would be 4.8 per cent in 2026, before accelerating to 5.3 per cent in 2027 and slowing down to 4.1 per cent in 2028 (see Table 1). The impact on economic activity is most pronounced in 2027 and 2028, contributing to lower growth compared to the baseline scenario by 0.3 percentage points and 0.2 percentage points in 2027 and 2028, respectively. The lower real GDP growth is due to weaker increase in goods and services exports, fixed capital investments and private consumption. Concurrently, this decline in domestic demand and exports components is reflected in lower imports of goods and services, leading to a positive deviation of net exports compared to the baseline. Real GDP growth under the adverse scenario slows down to 2.2 per cent in 2027, before accelerating to 2.5 per cent in 2028 as energy prices fall (see Table 1).

Under the **severe scenario**, more intense and prolonged pro-inflationary pressures are observed (see Chart 4). Acceleration of inflation in 2026 and 2027 reflects both indirect effects of higher energy and food prices and stronger non-linear second-round effects than projected in the adverse scenario (see Chart 3 (a)). As a result, headline inflation is higher than in the baseline by 0.5 percentage points in 2026 and by 5.5 percentage points in 2027, standing at 5.1 per cent and 8.5 per cent, respectively (see Table 1). Assuming a lower degree of pass-through of energy prices and labour costs to the HICP towards historical values, inflation slows down to 7.3 per cent in 2028. Economic activity in a severe scenario decreases significantly over the whole projection horizon, with real GDP growth being lower by 0.1 percentage points in 2026, by 1.0 percentage points in 2027 and by 0.7 percentage points in 2028 compared to the forecast baseline. As a result, under the severe scenario, real GDP growth stands at 2.7 per cent in 2026, slowing down to 1.5 per cent in 2027 (mainly driven by weaker external demand for Bulgarian goods and services), before accelerating to 2.0 per cent in 2028 (see Table 1).

TABLE 1

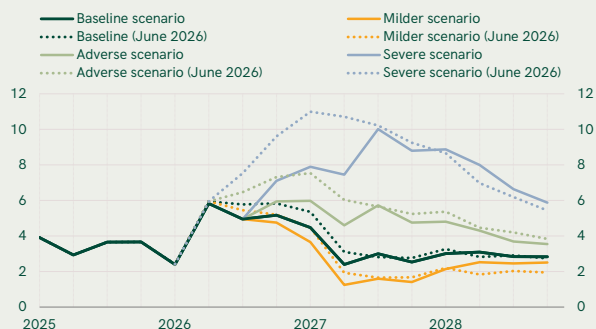
Simulation Results for the Effects of the Conflict in the Middle East on the Bulgarian Economy

	Real GDP growth (per cent)			Average annual inflation based on HICP (per cent)		
	2026	2027	2028	2026	2027	2028
Baseline	2.8	2.5	2.7	4.6	3.1	2.9
Adverse scenario	2.8	2.2	2.5	4.8	5.3	4.1
Severe scenario	2.7	1.5	2.0	5.1	8.5	7.3
Milder scenario	2.8	2.7	2.9	4.5	2.0	2.4

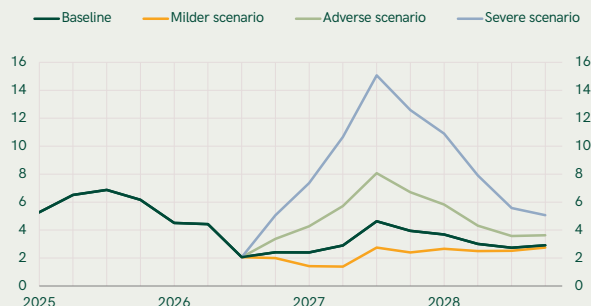
Source: BNB.

CHART 4

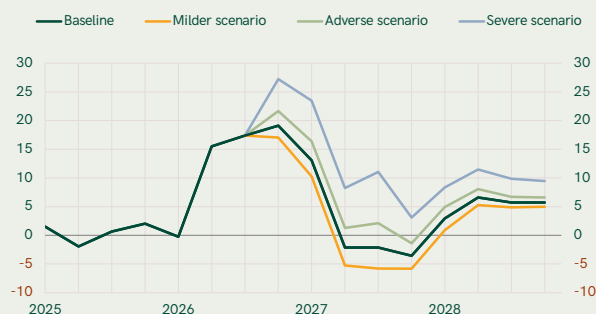
(a) Inflation (based on HICP)
(per cent)



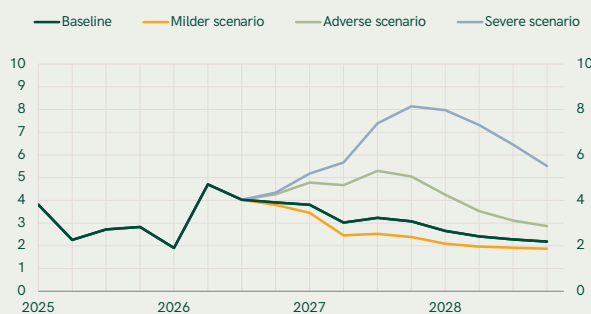
(b) Food inflation
(per cent)



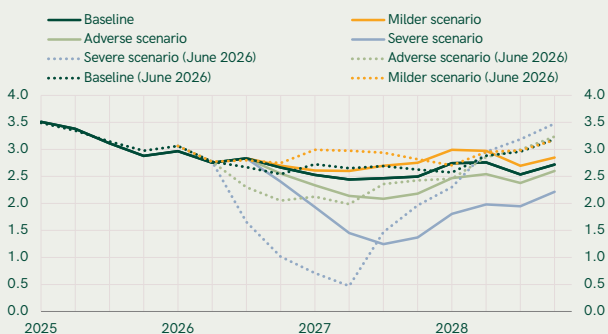
(c) Inflation in Energy Products
(per cent)



(d) Core Inflation
(per cent)



(e) Real GDP Growth
(per cent, annual growth)



Source: BNB calculations.

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