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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

The Covid-19 pandemic hit Bulgaria at a time when its economy was performing well. Before the sanitary crisis, a series of structural reforms, the highly successful integration of Bulgarian manufacturing firms into world production chains, and sound macroeconomic management had led to five years of growth rates above 3%, rapidly rising real wages, and historically low unemployment. However, the country recovered well and in 2023 GDP grew an estimated 2%, according to the latest figures from the EU Commission. Despite encountering diminished external demand, increased interest rates within the euro area, and sustained price pressures, private consumption notably expanded, particularly in the initial half of the year. This growth was bolstered by a robust labor market, enhanced consumer confidence, reduced inflation, and vigorous lending activity. Real GDP is expected to grow by 1.9% in 2024 and by 2.5% in 2025, with domestic demand as the main growth driver (EU Commission; 3.2% and 3.%, respectively, according to the IMF).

The country's public finances are relatively strong, with a low debt-to-GDP ratio compared with EU countries, estimated at 21% in 2023. Nevertheless, the IMF expects the ratio to grow over the forecast horizon, to 22.9% this year and 25.2% in 2025. The majority of government debt in Bulgaria is fixed-rate and has a long average maturity, which mitigates Bulgaria's vulnerability to monetary tightening overseas. On average, general government interest payments are expected to amount to 1.6% of revenues from 2023 to 2025 (Fitch Ratings). The IMF projected a 2.7% GDP budget deficit in 2023, influenced by lower energy support costs, increased social and capital spending, and higher public sector wages. Despite Bulgaria's history of fiscal responsibility, the current government may lean towards slightly wider deficits in the medium term to enhance public sector investments and address social inequalities. Anticipated deficits are 3.1% of GDP in 2024 and 3.5% of GDP in 2025. Inflation fell from 14.3% at the close of 2022 to an average of 8.5% in 2023, with all sectors contributing to this decline, particularly food prices. The slowdown in service inflation was mainly due to transport and catering services, which are closely tied to energy and food costs. Decreases in food and energy prices helped stabilize inflation expectations and prevented a significant wage-price cycle. Annual inflation is projected to significantly slow to 3% in 2024 (IMF).

During 2023, businesses managed to maintain high levels of employment and achieve moderate increases in nominal wages. Albeit increasing slightly, the unemployment rate remained relatively low at 4.6%, and is expected to gradually decline to 4.2% by 2025. Bulgaria is classified as an upper-middle-income country, with a GDP per capita (PPP) estimated at USD 33,582 in 2023 by the World Bank, compared to an EU average of USD 54,249. Nevertheless, income inequality in Bulgaria is among the highest in the EU, and almost 32.2% of the population is at risk of poverty (the second-highest rate in the EU after Romania).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	89.12	103.10	110.34	117.50	123.82
GDP <i>(Constant Prices, Annual % Change)</i>	3.4	1.7	3.2	3.0	2.9
GDP per Capita <i>(USD)</i>	13,821	16,087	17,320	18,555	19,671

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
<b>General Government Balance</b> <i>(in % of GDP)</i>	-1.1	-2.7	-3.1	-3.5	-2.8
<b>General Government Gross Debt</b> <i>(in % of GDP)</i>	21.8	21.0	22.9	25.2	26.8
<b>Inflation Rate</b> <i>(%)</i>	n/a	8.5	3.0	2.1	2.0
<b>Unemployment Rate</b> <i>(% of the Labour Force)</i>	4.2	4.6	4.4	4.2	4.2
<b>Current Account</b> <i>(billions USD)</i>	-0.61	0.00	0.08	-2.15	-0.67
<b>Current Account</b> <i>(in % of GDP)</i>	-0.7	0.0	0.1	-1.8	-0.5

Source: IMF – World Economic Outlook Database , October 2021

## Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

## MAIN SECTORS OF INDUSTRY

Traditionally an agricultural country, Bulgaria is now considerably industrialized. In fact, the agricultural sector only accounts for 3.9% of GDP and employs 6% of the workforce (World Bank, latest data available). The main crops are sunflower, tobacco, and wheat. Around 46% of the country's territory is considered agricultural land. The total number of agricultural holdings is 132,742, while the total number of registered farmers in 2021 was 76,372 (EU Commission, latest data available). According to preliminary NSI data, the total output of the agricultural industry at basic prices in 2023 stood at BGN 10,445.9 million, which was 19.1% lower than in the previous year. The decrease was due to a drop in prices by 15.0% and a decrease in volumes by 4.8%.

The industry represents 25.5% of the GDP, and 30% of the workforce is employed in the sector. It continues to rely heavily on the manufacturing sub-sectors (metallurgical, chemical, machine-building), which are estimated to contribute to 14% of GDP (World Bank). However, the most dynamic sectors are textile, pharmaceutical products, cosmetic products, mobile communication, and the software industry. Bulgaria's main mineral resources include bauxite, copper, lead, zinc, coal, lignite (brown coal), and iron ore.

The tertiary sector has more than doubled its contribution to the country's economy since the end of the communist system, accounting for 59.6% of GDP and employing around 64% of the workforce. Tourism is one of the fastest-growing sectors: it was estimated to contribute 3.1% of GDP before the pandemic. The sector showed signs of recovery in 2023, when Bulgaria welcomed 12.6 million tourists, 16% more than the previous year, equalizing the level recorded in 2019. According to the latest figures from the European Banking Federation, 25 banks are currently operating in Bulgaria, seven of which are foreign bank branches. The top five banks hold approximately 66.9% of all assets.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
<b>Employment By Sector</b> <i>(in % of Total Employment)</i>	6.3	30.8	62.9
<b>Value Added</b> <i>(in % of GDP)</i>	4.4	26.0	57.7
<b>Value Added</b> <i>(Annual % Change)</i>	-0.8	11.9	1.0

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
<b>Bulgarian Lev (BGN) - Average Annual Exchange Rate For 1 USD</b>	1.77	1.74	1.66	1.70	1.72

Source: World Bank - Latest available data.

## FOREIGN TRADE

Since joining the European Union, Bulgaria has experienced considerable growth in trade, despite a large trade imbalance and recurring deficits. The country is very open to foreign trade, which represents 138% of its GDP (World Bank, latest data available). Bulgaria mainly exports manufactured goods classified chiefly by material (21.5%), machinery and transport equipment (20.6%), miscellaneous manufactured articles (13.6%), chemical and related products (11.8%), mineral fuel, lubricants, and related materials (11.5%); while imports are led by machinery and transport equipment (26.5%), mineral fuel, lubricants, and related materials (16.8%), manufactured goods classified chiefly by material (16.0%), chemical and related products (14.1%), crude materials, inedible (except fuel, 8.9% - data INS).

Bulgaria's main export destinations in 2022 were Germany (14.1%), Romania (10.2%), Italy (7.5%), Greece (6.5%), and Turkey (6%); whereas imports came chiefly from Russia (12.2%), Germany, and Turkey (10.8% each), Romania (8.4%), Italy (6.8%), and Greece (6%). Overall, the EU accounted for 65.2% and 55.2% of total exports and imports, respectively (data INS).

According to the latest figures from WTO, in 2022 exports of goods rose by 22%, at USD 50.2 billion, with imports increasing at a faster pace (+25.6%), totaling USD 58 billion. The country has a structural trade deficit; however, it is a net service exporter: it exported USD 12.5 billion worth of services, importing only USD 6.9 billion in 2022. Preliminary data by the National Statistical Institute show that in 2023, exports of goods from Bulgaria to third countries saw a decline of 2.9%, totaling BGN 31.38 billion. Meanwhile, imports of goods plummeted by 19.7%, reaching a total of BGN 38.76 billion.

Foreign Trade Values	2018	2019	2020	2021	2022
<b>Imports of Goods</b> <i>(million USD)</i>	37,856	37,663	35,056	46,210	58,049
<b>Exports of Goods</b> <i>(million USD)</i>	33,617	33,340	31,954	41,157	50,239
<b>Imports of Services</b> <i>(million USD)</i>	5,976	5,981	4,753	6,048	6,897
<b>Exports of Services</b> <i>(million USD)</i>	10,853	11,460	8,342	10,875	12,497

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Foreign Trade</b> <i>(in % of GDP)</i>	128.9	124.6	110.3	121.0	136.3
<b>Trade Balance</b> <i>(million USD)</i>	-3,201	-3,256	-2,256	-3,379	-5,098
<b>Trade Balance (Including Service)</b> <i>(million USD)</i>	1,612	2,199	1,344	1,443	459
<b>Imports of Goods and Services</b> <i>(Annual % Change)</i>	5.8	5.2	-4.3	10.9	10.5
<b>Exports of Goods and Services</b> <i>(Annual % Change)</i>	1.7	4.0	-10.4	11.0	8.3
<b>Imports of Goods and Services</b> <i>(in % of GDP)</i>	63.2	60.7	54.2	59.6	67.7

Foreign Trade Indicators	2018	2019	2020	2021	2022
<b>Exports of Goods and Services</b> <i>(in % of GDP)</i>	65.7	63.9	56.1	61.3	68.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
<b>Volume of exports of goods and services (Annual % change)</b>	4.4	3.9	3.6	3.4	3.2
<b>Volume of imports of goods and services (Annual % change)</b>	2.6	4.9	6.8	1.9	3.0

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

## International Economic Cooperation

Bulgaria is member of : the [International Monetary Fund](#), the [World Trade Organization](#), the [World Bank](#), etc.

For further information, please consult the website of the [Ministry of Economy of Bulgaria](#).

## Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
<b>Germany</b>	14.0%
<b>Romania</b>	10.1%
<b>Italy</b>	7.5%
<b>Greece</b>	6.5%
<b>Türkiye</b>	5.9%
<b>See More Countries</b>	56.1%

Main Suppliers <i>(% of Imports)</i>	2022
<b>Germany</b>	10.8%
<b>Türkiye</b>	8.4%
<b>Romania</b>	6.9%
<b>Italy</b>	6.0%
<b>Greece</b>	6.0%
<b>See More Countries</b>	62.0%

Source: Comtrade, Latest Available Data

## POLITICAL OUTLINE

### Current Political Leaders

President: Rumen RADEV (since 22 January 2017 - reelected in 2021)  
Prime Minister: Nikolai DENKOV (since 6 June 2023)

### Next Election Dates

Presidential: Autumn 2026  
Parliamentary: 2027

### Main Political Parties

Bulgaria has a multi-party system, where no single party generally has a chance of gaining power alone. Thus political parties work with each other to form coalition governments. The major political parties are:

- [Citizens for European Development of Bulgaria](#) (GERB): centre-right, it receives most of its support from nationalists and socialists
- [Union of Democratic Forces](#) (SDS): centre-right, conservative
- [Movement for Rights & Freedoms](#) (DPS): centrist, liberal, formed mainly by the Turkish ethnic minority
- [Revival](#): far-right, ultranationalist
- [Bulgarian Socialist Party](#) (BSP): centre-left, socialist, draws its support from rural areas
- [We Continue the Change](#) (PP): centre, liberalism, pro-European
- [Yes, Bulgaria!](#): centre, liberalism
- [Democrats for a Strong Bulgaria](#) (DSB): centre-right to right-wing, conservatism
- [Green Movement](#) (ZD): centre, green party
- [Volt Bulgaria](#): centre-left
- [There Is Such a People](#) (ITN): right-wing, populist.

### Executive Power

The [President](#) is the chief of the state and is directly elected for a 5-year term (renewable once), the same as for the Vice President. He is the commander-in-chief of the armed forces and nominates the [Prime Minister](#), who is elected by the National Assembly. The Prime Minister, as Chairman of the [Council of Ministers](#), holds the executive powers and is also the head of the government. Moreover, the Prime Minister nominates the Council of Ministers. The Council of Ministers is the principal body of the executive branch. The Council of Ministers must resign if the National Assembly passes a vote of no confidence.

### Legislative Power

Bulgaria has a unicameral parliament (called the [National Assembly](#)), whose 240 members are elected for 4-year-terms by popular vote. A political party or coalition must obtain a minimum of 4% of the vote in order to enter the National Assembly. The parliament is responsible for the enactment of laws, approval of the budget, scheduling of presidential elections, selection and dismissal of the prime minister and other ministers, declaration of war, deployment of troops outside of Bulgaria, and ratification of international treaties and agreements.

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## COVID-19 COUNTRY RESPONSE

### Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

### **Import & export restrictions**

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

### **Economic recovery plan**

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) in Bulgaria, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

### **Support plan for businesses**

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).