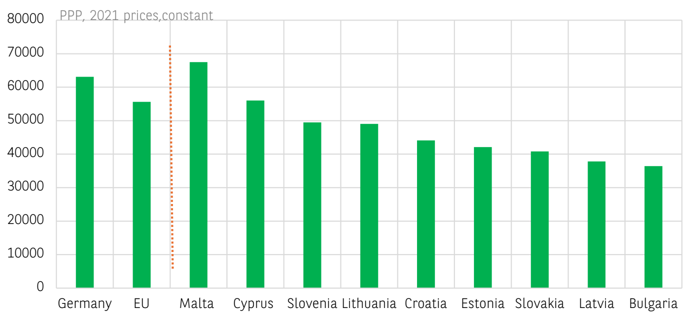
BULGARIA IN THE SPOTLIGHT

Cynthia Kalasopatan Antoine

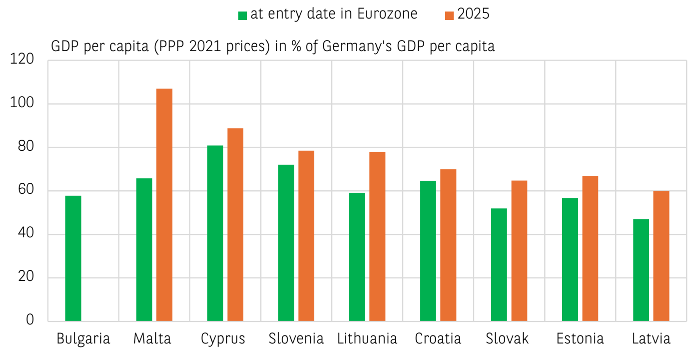
On 1st January 2026, Bulgaria became the 21st member of the Eurozone, nineteen years after joining the European Union. Since June 2025, Bulgaria has satisfied the EU's convergence criteria, which include price stability, sustainability of public debt, exchange rate stability and long-term interest rate stability. The European Parliament granted its approval in July 2025, and shortly thereafter, the rating agencies Fitch and S&P upgraded Bulgaria's sovereign rating from BBB to BBB+.

GDP PER CAPITA FOR COUNTRIES HAVING JOINED EUROZONE SINCE 2007 (2025 ESTIMATES)



SOURCES : IMF, WEO, BNP PARIBAS

ECONOMIC CONVERGENCE WITH GERMANY



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Improved risk perception

Immediate aftermath. Bulgaria's entry into the Eurozone improves the country's risk profile. By adopting the euro[1], both the government and corporations are no longer exposed to the exchange rate risk associated with euro-denominated debt. The Bulgarian government's debt in euros constituted 77% of the total in October 2025 (approximately 20% of GDP), while corporate credit in euros was comparatively lower at 36% of the total (or 8.7% of GDP). This new situation therefore strengthens the position of businesses and public finances, with total public debt estimated at around 25% of GDP at the end of 2025.

On financial markets, the improvement in risk perception is already reflected in a decrease in government bond yields, which stood at 2.8% on 2 January 2026 for the 5-year bond yield, down from 3.5% in May 2025. Current political tensions do not appear to be impacting this downward trend for the time being. The experience of other countries that have previously joined the Eurozone, such as Slovakia, Lithuania and Croatia, has been similar: bond yields in these countries fell after the announcement of their accession to the Eurozone.

Continued economic catch-up

Current situation. In 2025, Bulgaria ranked amongst the lowest in terms of living standards in the Eurozone, with a GDP per capita (adjusted for volume and purchasing power parity) of USD 36,430 (*Chart 1*). This figure constitutes just 57.8% of Germany's GDP per capita (*Chart 2*). The convergence rate is relatively low, but it is still higher than that of Slovakia, Estonia and Latvia when they joined the Eurozone (in 2009, 2011 and 2014 respectively). Since their accession, the economic catch-up process has continued for all countries that have adopted the euro. However, it remains incomplete (with the exception of Malta[2]) and varies from one country to another. Slovakia, Estonia and Latvia, which started from a lower base, are still lagging behind with GDP per capita below 70% of that of Germany. Conversely, Lithuania, which joined the Eurozone in 2015, has caught up more significantly than the other two Baltic states, owing to a high investment rate in the region and an industrial structure characterised by strong technological content.

Between reforms and demographic challenges. In Bulgaria, GDP per capita grew significantly between 2007 and 2025, increasing by 1.8 times over this period. GDP growth was driven in particular by European funds, amounting to approximately EUR 28 billion net since joining the EU, which constitutes 27% of GDP, alongside foreign direct investment (FDI).

In the future, the rate of convergence in living standards will depend on Bulgaria's ability to implement structural reforms, particularly in the area of governance. Recently, the pace of these reforms has been hindered by political instability.

1 The exchange rate for the Bulgarian lev was set at 1.95583 to the euro.
2 The special case of Malta can be attributed to the significance of tourism, revenue from financial services and a relatively small population (0.57 million inhabitants).

In addition, Bulgaria faces a major challenge: a significant demographic decline. The outlook for improvement in this regard is not expected to improve in the future, despite net migration to Bulgaria becoming positive again since 2020. Over the last 20 years, the total population has decreased by 17.1%, with the working-age population declining by 7.8%.

Some assets. In the short term, the adoption of the euro may further stimulate foreign direct investment, particularly in light of increased nearshoring activities observed in the region in recent years. Bulgaria can also capitalise on the European defence plan and investments in artificial intelligence to support its economy.

The country has several advantages: labour costs remain lower than in other Eurozone and EU countries, despite recent wage pressures. The workforce is relatively skilled and the share of workforce with higher education qualifications is relatively high.

Furthermore, tourism, which is one of the pillars of the economy (around 8% of GDP), could develop further, as seen in neighbouring countries after their entry into the Eurozone. This would stimulate investment in this sector, particularly in infrastructure.

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