MACROECONOMIC FORECAST

Spring 2024

INSTITUTE FOR ANALYSIS AND FORECASTING

In 2023, economic activity in the EU deteriorated, as monetary policy tightened and part of the fiscal stimulus was withdrawn. In the forecast period, a moderate improvement in the external environment is expected. Economic growth in the EU will accelerate in 2024–2025 but the rate will remain below pre-pandemic averages.

In 2023, the real GDP growth in Bulgaria reached 1.8%. In 2024, an acceleration to 3.2% is expected, supported by domestic demand. For the period 2025–2027, the forecast is for a slight slowdown in household consumption growth in line with the dynamics of incomes and credit activity. As a result, economic growth will be within the range of 2.7–2.6%.

Employment went up by 1% in 2023. During the forecast period the rate of employment growth is expected to slow down mainly due to the unfavourable demographic processes in the country and the waning opportunities for an increase in labour supply.

Compensation per employee increased by 13.3% in nominal terms in 2023, and its growth rate is expected to decelerate to 9.3% in 2024. It will remain high in historical perspective due to the envisaged increase in the minimum wage in the country and higher labour productivity growth.

The disinflation process in the country, which has been observed since October 2022, is expected to persist. The annual average inflation rate in 2024 is projected at 2.4%, while end-of-period inflation will slow down to 2.3%. Core inflation components and services in particular will report the highest price increase, and consequently the largest contribution to the headline rate. In the coming years, inflation at the end of the year will continue to gradually decelerate, mainly in line with the expected dynamics of international commodity prices.

In 2023, the current account balance improved, mainly as a result of a more moderate deficit in trade in goods and an increase in the surplus in services. In the forecast period, the stable external position of the country will be sustained. In 2024, a deficit on the current account of 1.3% of GDP is expected, mainly due to the stronger increase in the import compared with the export of goods.

The annual growth of credit to the private sector remained strong and stood at 12% at the end of 2023. In 2024, the growth of claims from the private sector is projected to be around 9.7%. Credit to households is expected to slow down, but its rate of increase will remain relatively high, supported by still strong increase in nominal incomes. Annual growth of claims on corporations will be around 8.1% at the end of 2024, compared to 9.4% at the end of 2023. By the end of the forecast period, credit to households is expected to continue to decelerate. The expected rise in interest rates, resulting from the strengthening of the ECB monetary policy transmission, and their retention at higher levels, together with lower inflation rates, are also expected to contribute to a slowdown in households' credit.

The risks to the forecast due to geopolitical factors remain significant. Ongoing military conflicts will have negative effects on the global economy, with a potentially stronger impact on the EU and Bulgaria due to the geographical proximity. The risk of supply constraints for certain raw materials still remains. The deterioration in financing conditions may have a stronger negative effect on investment and consumption than expected.

As part of this forecast, an alternative scenario was developed with assumptions for a more unfavorable development of the external environment and higher international prices of raw materials. The simulation results show that inflation in the country will be higher compared to the baseline scenario by 0.8 and 0.3 pps in 2024 and 2025, respectively, and real GDP growth will be lower by 0.7 in 2024 and 0.6 pps in 2025. Throughout the forecast horizon, the level of GDP at current prices will be lower compared to the baseline scenario.

Macroeconomic Forecast

Main Economic Indicators	ACTUAL DATA *		PROJECTIONS			
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
International Environment						
World real GDP (%)	3.5	3.1	3.1	3.2	3.1	3.1
EU real GDP (%)	3.4	0.4	1.0	1.7	1.9	1.7
USD/EUR exchange rate	1.05	1.08	1.08	1.08	1.08	1.08
Crude oil, Brent (USD, bbl)	99.8	82.6	81.3	75.8	72.7	70.8
Non-energy commodity prices (in USD, %)	9.0	-9.8	-1.8	-0.8	-1.0	-0.5
EURIBOR 3month (%)	0.2	3.1	3.5	2.6	2.4	2.3
Gross Domestic Product						
Nominal GDP (mln BGN)	167 809	183 743	199 759	211 580	222 969	234 634
Real GDP growth (%)	3.9	1.8	3.2	2.7	2.7	2.6
Consumption	4.2	4.0	4.2	3.4	3.2	3.2
Gross fixed capital formation	6.5	3.3	8.5	5.1	4.4	6.1
Export of goods and services	11.6	-1.9	2.2	3.7	4.1	3.8
Import of goods and services	15.0	-6.3	5.0	5.6	5.4	5.9
Labour Market and Prices						
Employment growth (SNA, %)	-0.3	1.0	0.5	0.3	0.3	0.3
Unemployment rate (LFS, %)	4.1	4.3	4.2	4.1	4.0	4.0
Compensation per employee (%)	14.2	13.3	9.3	5.8	5.1	4.6
GDP deflator (%)	16.2	7.5	5.4	3.2	2.6	2.6
Annual average HICP inflation (%)	13.0	8.6	2.4	2.8	2.0	1.9
End-of-period HICP inflation (%)	14.3	5.0	2.3	2.2	2.1	1.8
Balance of Payments						
Current account (% of GDP)	-1.4	0.3	-1.3	-1.9	-2.2	-3.1
Trade balance (% of GDP)	-5.9	-3.8	-5.3	-6.1	-6.7	-7.7
Foreign direct investments (% of GDP)	3.6	4.0	3.9	3.9	4.0	4.0
Monetary Sector						
Money M3 (%)	13.2	8.7	8.3	8.0	7.5	7.3
Claims on enterprises (%)	11.1	9.4	8.1	8.7	9.2	8.9
Claims on households (%)	14.6	15.9	12.1	9.0	7.8	7.2

** The forecast is based on statistical data up to 12 March 2024.*

Source: NSI, BNB, ECB, Eurostat, EC, WB, IMF, Bloomberg, IAF

1. External environment. Main assumptions

In 2023, the economic activity in the EU deteriorated, on the back of falling household purchasing power and restricted external demand, along with monetary tightening and withdrawal of some fiscal support. The international environment is expected to remain volatile over the forecast period but without significant structural shocks and/or shortages of basic raw materials. The continued slowdown in inflation will lead to a switch to a policy of interest rate cuts by the ECB and a gradual easing in financing conditions. Growth in the EU is expected to remain subdued in early 2024 before accelerating to 1% for the whole year and 1.7% in 2025. Following the sustained GDP growth in the USA and some developing countries over the past year, forecasts are that the world economy will continue to grow by about 3.1–3.2% in the medium term. Both EU and global growth rates will remain below pre-pandemic averages. The more moderate external demand, mainly from the EU, compared to the previous forecast, is reflected in the expected weaker real growth of export in Bulgaria in the current forecast.

The assumptions for commodity prices are based on the relevant futures, with a cut-off date of 5.03.2024. The average price of Brent crude oil in 2024 is projected at 81.3 USD per barrel, down by 1.6% over the previous year, and will continue to gradually decrease throughout the forecast horizon to $70.8 per barrel in 2027. Natural gas prices for Europe are expected to decrease by 37% in 2024 to an average of 27.3 euro/MWh. In 2025, the price of this commodity will go up by 7.4% to 29.4 euro, after which it will decline again to 28.1 euro in 2026 and to 26.8 euro in 2027. In 2024, the prices of non-energy commodities in dollar terms will ease by an average of 1.8%, and will continue to decline until the end of the projection period led by the foreseen downward dynamics in food and metal prices.

The technical assumption for the USD/EUR[1] exchange rate with daily data as of 05.03.2024 foresees a nominal appreciation of the single European currency by 0.3% to 1.08 dollars per euro in 2024. Nevertheless, a depreciation of 1.9% is expected at the year-end after which the exchange rate will remain at that level until the end of the forecasting horizon.

External assumptions: difference from the previous forecast

	Spring forecast 2024				Autumn forecast 2023				Difference from the previous forecast			
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
World real GDP, %	3.1	3.2	3.1	3.1	2.9	3.2	3.2	-	0.2	0.0	-0.1	-
EU real GDP, %	1.0	1.7	1.9	1.7	1.4	2.1	2.0	-	-0.4	-0.4	-0.1	-
USD/EUR exchange rate	1.08	1.08	1.08	1.08	1.06	1.06	1.06	-	0.03	0.03	0.03	-
Oil price, Brent (USD/barrel)	81.3	75.8	72.7	70.8	84.5	79.1	75.6	-	-3.2	-3.2	-2.9	-
Non-energy commodity prices, in USD, %	-1.8	-0.8	-1.0	-0.5	-1.9	-1.2	-0.7	-	0.1	0.5	-0.3	-
EURIBOR 3month (%)	3.5	2.6	2.4	2.3	3.7	3.1	2.6	-	-0.2	-0.5	-0.2	-

Source: ECB, IMF, WB, Bloomberg, own calculations

1 An average USD/EUR exchange rate is calculated based on data for the last ten business days as of the date of the assumptions and is fixed for the days until the end of the forecasting horizon.

2. Gross domestic product

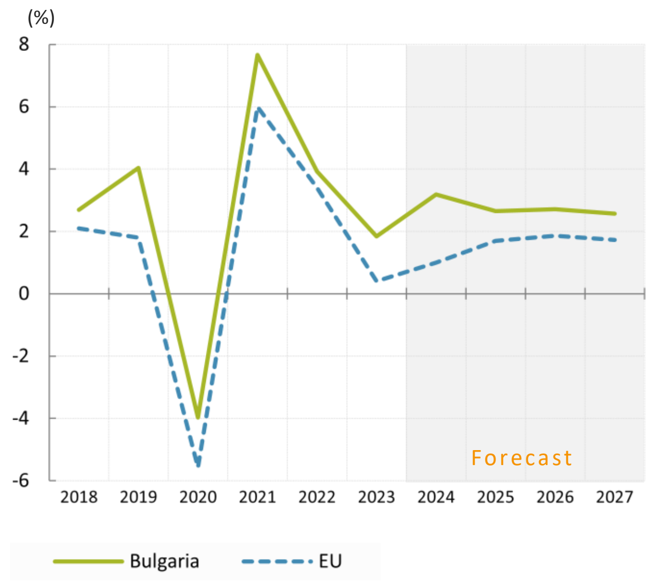
Real GDP growth in 2023 reached 1.8%, well in line with the expectations in Spring and Autumn 2023 forecasts. Growth was driven by consumption and the positive contribution of net export.

In 2024, real GDP growth is expected to accelerate to 3.2% due to higher growth in public investment and consumption expenditures. Private investment is expected to be favored by stronger external demand. The contribution of inventories to GDP growth will be neutral. Weaker employment growth and a slowdown in consumer credit growth will translate into a slowdown in household consumption growth, which will continue to be supported by real growth in disposable income. The improvement of the external environment will boost export growth. The latter, however, will be outpaced by the increase in import, as a result of the strong domestic demand, thus the contribution of net export to GDP growth will be negative.

Economic growth will slow down to 2.7% in 2025. The expected slowdown in income growth will lead to weaker increase in household consumption. At the same time, as uncertainty decreases and demand increases, private investment growth will accelerate. Export will also gain speed as a result of stronger external demand in EU but the contribution of net export will remain negative.

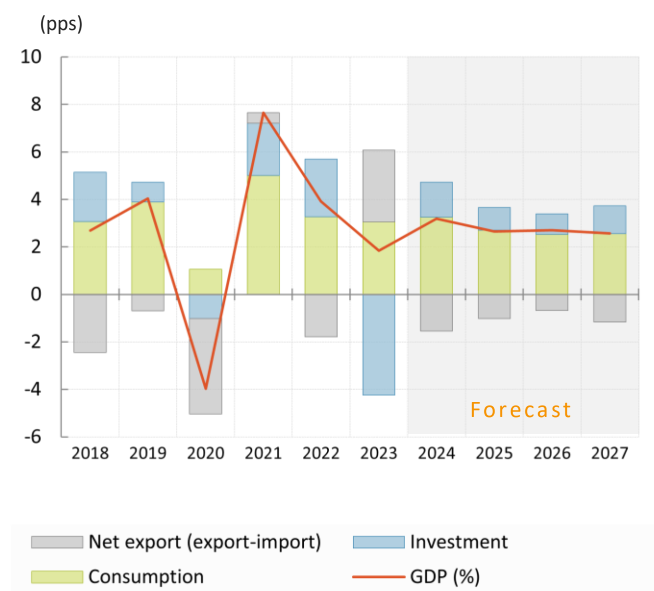
In 2026 and 2027, GDP will increase by 2.7 and 2.6%, respectively. Real income growth will support steady growth in consumption. The increase in demand will have a positive effect on investment activity. External demand will remain stable and export growth will remain close to that in 2025. Import growth will be higher, reflecting the planned acquisition of military equipment.

Real GDP growth



Source: Eurostat, IAF

GDP growth and contribution by main components



Source: NSI, IAF

3. Labour market and incomes

In 2023, the annual employment growth in the Bulgarian economy was 1% due mainly to the higher number of jobs in services and construction. Economic activity is expected to gain momentum in 2024, and economic growth will be slightly below 3% in the following years. Nevertheless, we expect a slowdown in the annual growth rate of employment to 0.5% in 2024 and to 0.3% in the remaining years of the forecast period. The main reason behind these dynamics, despite the relatively high growth rates of the economy as a whole, is the unfavourable demographic process in the country and the waning opportunities for an increase in the labour supply.

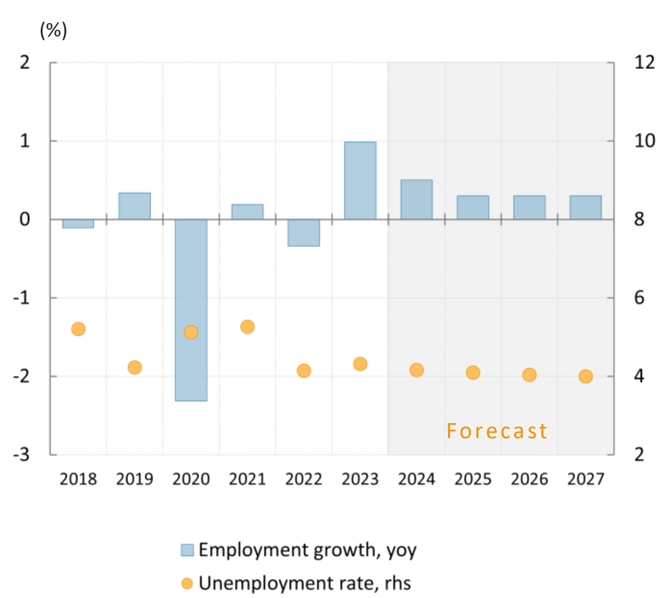
The number of employed persons will reach 3530 thousand in 2027 (according to SNA) and will be close to their number registered in 2019 (the last pre-COVID year). However, the employment rate (age group 15–64) is expected to reach 74.7%, and the participation rate of the same age cohort to reach 77.9%. Thus, the value of these indicators is expected to exceed substantially their values recorded in 2019 (by around 4.6 pps) and to be above the average values of the corresponding indicators for the EU27.

The unemployment rate is expected to decrease from 4.3% in 2023 to 4.0% in 2027. The opportunities for transition from unemployment to employment are increasingly limited and our main assumption is that in the coming years the increase in employment is expected to come mainly on the back of people returning to the labour force or people coming from other labour markets (countries).

The nominal growth of the compensation per employee reached 13.3% in 2023 and was lower than the expected in the autumn forecast. The indicator still remains high, driven mainly by the increase in the compensations in industry, and particularly in manufacturing. The higher wage costs in the public sector also contributed to the rise in the compensation per employee. Its nominal growth managed to fully compensate for the inflation in the country.

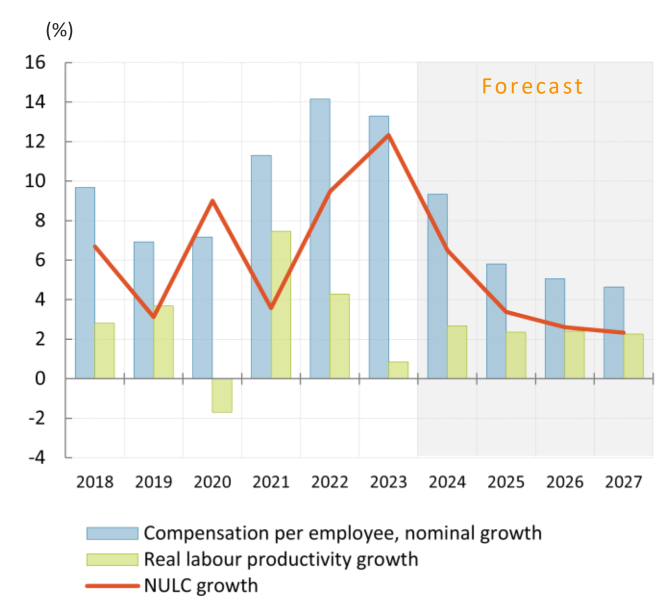
In 2024, the growth of the compensation per employee is expected to decelerate, following the slowdown in inflation, employment dynamics and the acceleration in labour productivity growth. In nominal terms, the growth rate of the indicator is estimated at 9.3%. A higher contri-

Employment growth and unemployment rate



Source: NSI, IAF

Labour incomes, productivity and unit labour costs (ULC)



Source: NSI, IAF

bution is expected due to the tight conditions in the labour market and the growing labour shortage, as well as the increase in the minimum wage in the country, in accordance with the adopted normative changes. Labour income growth will continue to decelerate during the rest of the forecast period as a result of the slowdown in inflationary processes and the lower contribution of the minimum wage adjustments.

The labour productivity growth decelerated to 0.9% in 2023 due to the slowdown in economic activity. Estimates for the dynamics of the indicator in the period 2024–2027 are close to those in the autumn forecast, with a more substantial upsurge in productivity expected in 2024 due to the increase in real GDP growth. In the period 2025–2027 the relatively stable labour productivity growth at around 2.3%, together with lower nominal labour income growth will also limit the increase in nominal unit labor costs to around 2.3% at the end of the forecast period.

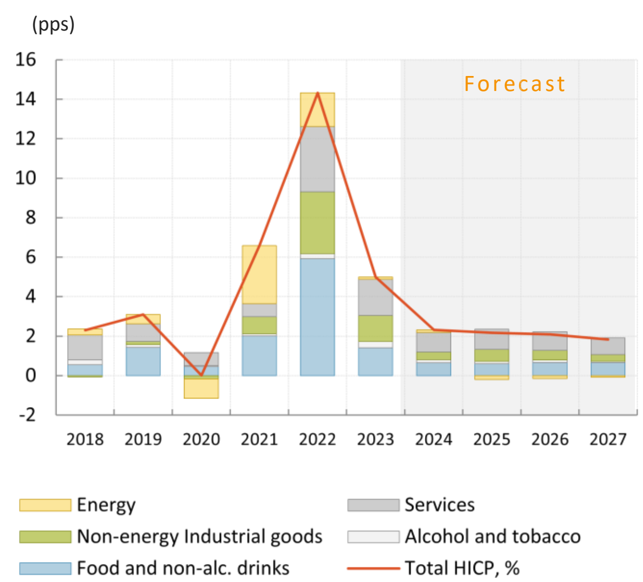
4. Inflation

The disinflation trend in the country, which has been observed since the last quarter of 2022, has persisted throughout 2023 and continued into early 2024. The annual HICP inflation rate in February 2024 decelerated to 3.5%. The observed inflation dynamics was largely due to the decrease in the international commodity prices, as well as to a base effect associated with the accelerated price increases in the previous year. In line with these developments, a slowdown in the inflation rates was observed for all main HICP components, with the exception of alcohol and tobacco products, as excise rates for cigarettes were hiked up in March 2023 and January 2024. Services contributed the most to the headline inflation rate as of February 2024, followed by non-energy industrial goods and food, while energy products had a negative contribution. Core inflation[2] decreased to 4.3% yoy in line with the slowdown in the rate of increase in the price of consumer goods, consumer durables in particular, as well as catering and transport services.

Inflation at the end of 2024 is expected at 2.3%, and the annual average inflation rate at 2.4%. Core inflation and services in particular will contribute the most to inflation at the end of 2024. Energy is also expected to have a weak positive contribution of 0.1 pp. Among the factors for this are the expected increase in the prices of transport fuels in line with the dynamics of crude oil futures.

The forecast also includes three specific measures intended to reduce inflation. They are aimed at lowering the prices of firewood from state forestries, medicines for cardiovascular diseases in the positive drug list of the National Health Insurance Fund, as well as full coverage of the state-financed fees for university degrees. Their total effect in the annual average inflation is estimated at -1 pp.

End-of-period inflation (HICP) and contributions by main components



Source: Eurostat, IAF

2 Core inflation includes services and non-energy industrial goods.

In the coming years, inflation at the end of the year will continue to gradually slow down, mainly in line with the expected dynamics of international prices. It is projected to be 2.2%, 2.1% and 1.8% in 2025, 2026 and 2027, respectively. Energy will have a negative contribution to inflation due to the expected lower prices of transport fuels. The contribution of core inflation components will continue to narrow, but will be the leading driver behind the headline inflation rate in line with the projected increase in domestic demand, as well as in labor costs.

The annual average inflation will slightly accelerate to 2.8% in 2025 as the reduced VAT rate for restaurants will be increased to the standard 20% rate in the beginning of 2025, together with the waning of the base effects of the three inflation reducing measures described above. The annual average inflation rate will decelerate to 2.0% in 2026 and 1.9% in 2027.

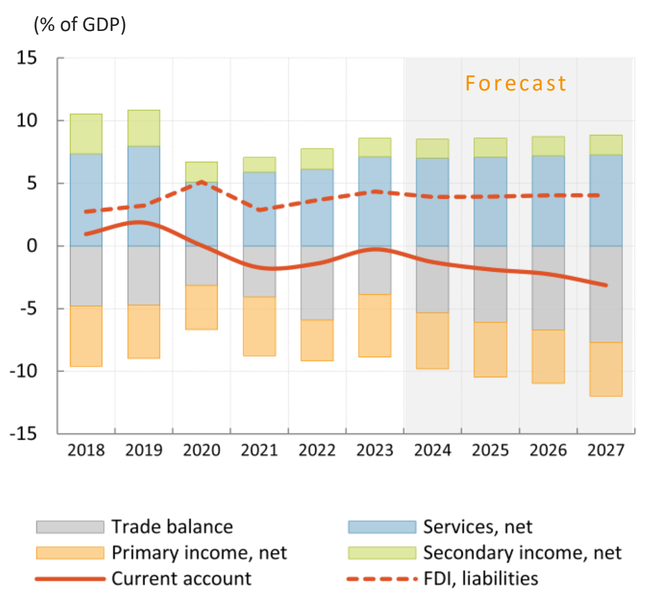
5. Balance of payments

In 2023, an improvement in the current account balance was recorded, mainly as a result of a more moderate deficit in trade in goods and an increase in the surplus in services. The fall in international prices and the slowdown in global economic activity limited Bulgaria's trade flows. The depletion of previously accumulated inventories instead of new import determined the more substantial decline in import relative to export and an improvement in the trade balance. This trend is not expected to persist over the forecast horizon, so the current account balance is forecast to gradually lower over the period 2024–2027.

In 2024, a current account deficit of 1.3% of GDP is expected, mainly reflecting the expected accelerated nominal growth of import of goods relative to export. Changes in volume will be leading the dynamics, but import prices will surpass those of export, too. The latter is related to the assumption that the main refinery in the country will switch to importing crude oil other than Urals. Therefore, prices in the energy commodity group will accelerate compared to 2023, while price dynamics in other commodity groups will be subdued. The surplus in services as a ratio to GDP is expected to remain almost unchanged from the previous year (at 7% of GDP). Receipts from foreign visits to the country are expected to exceed the level in 2019, showing a full recovery from the severe shock of the pandemic. The overall balance of income articles is expected to remain negative at 2.9% of GDP.

In 2025–2027, the current account deficit will continue to increase, reaching 3.1% of GDP at the end of the forecast horizon. The export of goods will be in line with the expected improvement in external demand, while terms of trade will also be positive (relative increase in the price of export compared to import). However, the nominal growth in import will still surpass export, influenced by the sustainable growth in consumption and investment, incl. for the acquisition of military equipment. The surplus in services will increase slightly, supported by a higher

Current account components and FDI



Source: BNB, NSI, IAF

positive balance in tourism and business services. The primary income deficit will be around 4.3–4.4% of GDP, and the outflows are associated with the payment of investment income to non-residents. Funds from RRF and inward transfers within the new programming period 2021-2027 will support the secondary income surplus, but no significant change in the balance as a percentage of GDP is expected (1.5–1.6% of GDP). Inward FDI flows will remain at around 4% of GDP.

The overall dynamics of the balance of payments imply a sustainable external position and a stable level of international reserves.

6. Monetary sector

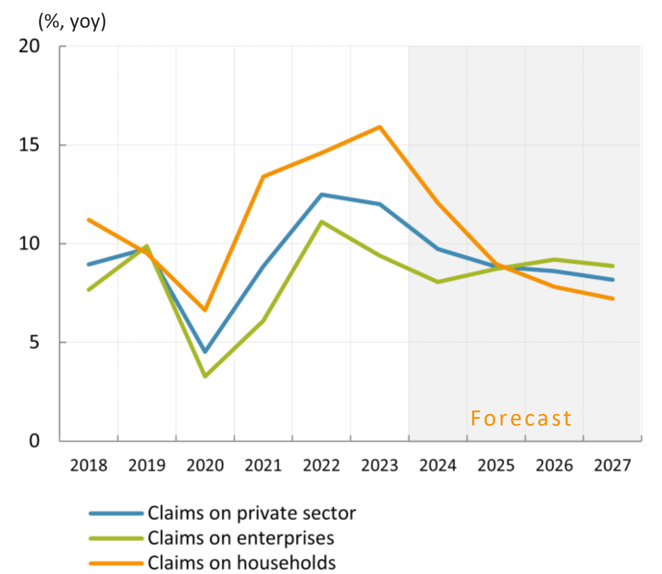
The annual growth of credit to the private sector remained strong, standing at 12% yoy at the end of 2023, compared to 12.7% at end-2022. It was driven mainly by credit to households, while loans to non-financial corporations gradually decelerated. Despite the measures to withdraw liquidity from the banking system, the transmission of the ECB's monetary policy in Bulgaria remained relatively weak, especially regarding interest rates on loans for house purchases, which in turn continued to contribute to the higher demand for mortgages. At the end of the year, their growth reached 21% compared to 17.9% at the end of 2022. The dynamics of consumer loans showed a gradual slowdown towards the end of the third quarter of 2023, after which they accelerated to 12.3% at the end of December 2023. As a result, total annual growth of households' claims stood at 15.9%, compared to 14.6% at the end of 2022.

Overdraft was a major contributor to the slowdown in the growth of credit to non-financial corporations throughout the year. Its dynamics reflected weaker demand for working capital by firms and inventories drawdown compared to their higher levels in the previous two years.

In 2024, the growth of total claims from the private sector is projected to be around 9.7%. Credit to households is expected to decelerate, but its growth rate will remain relatively high. Annual growth of claims on households at the end of 2024 will be around 12.1%, supported by still strong growth in nominal incomes, despite the lower growth of the latter compared to 2023. Among the factors for the cooling off of credit activity will be the gradual increase in interest rates and the measures taken by the BNB in this direction. The annual growth of claims on corporations[3] at the end of 2024 will be around 8.1% compared to 9.4% at the end of 2023.

During the period 2025–2027, credit to households is expected to continue to decelerate, in line with expectations for a slowdown in households' consumption and nominal growth in compensation of employees. The ex-

Claims on the private sector



Source: BNB, IAF

[3] Data refer to financial and non-financial corporations from the Monetary Survey of the BNB.

pected rise in interest rates, resulting from a strengthening of the ECB's monetary policy transmission, and their retention at higher levels, together with lower inflation rates, are also expected to contribute to a slowdown in households' credit. Their claims' growth will decelerate to 9% in 2025 and to around 7.8% in 2026 and 7.2% in 2027.

Demand for corporate credit will continue to gradually slow down in 2024 and the growth of total claims on corporations is expected to be around 8.1% at the end of the year. In the period 2025–2026, annual growth of claims on firms is expected to accelerate in the context of stronger absorption of NRRP funds and in line with the expected acceleration of private investment. Growth of total claims on corporations will be 8.7% at the end of 2025, and 9.2% at the end of 2026. Overall, growth of claims on the private sector will slow from 9.7% in 2024 to 8.2% at the end of the forecast horizon.

Deposits in the banking system will continue to grow at relatively high rates throughout the forecast horizon. At the end of 2024, the annual growth of money supply is expected to slow to 8.3% compared to 8.7% at the end of 2023. In the period 2025–2027, we expect the slowdown to continue and broad money's growth at the end of 2027 will be around 7.3% yoy.

7. Risks

The risks to the forecast due to geopolitical factors remain significant. Ongoing military conflicts will have negative effects on the global economy, with a potentially stronger impact on the EU and Bulgaria due to geographical proximity. There is still a risk of supply constraints for certain raw materials, which could lead to a rise in international prices and/or further disruption in global supply chains. This would lead to more persistent inflation and restrictive monetary policy sustained for longer than expected, which would hurt both foreign trade and domestic demand.

The deterioration in financing conditions may have a stronger than expected negative effect on investment and consumption.

The execution of the planned public capital expenditures could also be considered as a risk.

There are also risks in a positive direction. Over the past two years, growth of household consumption exceeded expectations and if this trend continues in 2024 higher GDP growth could be observed. After a significant decline in 2023, it is possible that inventories increase in 2024, instead of the expected zero contribution. However, it is very likely that this positive change in inventories will lead to an increase in import and, as a result, their contributions to GDP growth will offset each other.

8. Alternative scenario

The international geopolitical conjuncture was still characterized by a high degree of uncertainty in 2023. The Middle East remains at particularly high risk, where a new escalation of the conflict would hamper the functioning of supply chains on a global scale. The alternative macroeconomic scenario considers a more unfavorable external demand dynamics and higher prices of tradable goods. The shock to the growth of the European and world economies will be felt in 2024 and 2025, but the EU economy will experience a negative impact in 2026, too, due to its greater proximity to the region and higher dependence on trade. A depreciation of the euro against the US dollar is also expected.

The simulation shows that inflation in the country will be higher compared to the baseline scenario, by 0.8 pps in 2024 and by 0.3 pps in 2025. The higher price increase in the alternative scenario would be followed by a period of lower domestic inflation compared to the baseline in 2026 and 2027. Meanwhile, the increases in international prices of oil, metals, agricultural raw materials and food will have a stronger effect on the import price index than on that of export, thus the deterioration in the terms of trade will lead to a lower GDP deflator in 2024 compared to the baseline scenario. Given the very tight monetary conditions in the euro area, the ECB is not expected to take another hike in key interest rates.

The increased cost of living will reduce purchasing power, which will translate into slightly lower household consumption over the entire forecast period. Investment activity will be constrained by the uncertainty, higher costs for raw materials, while the effect will be somewhat delayed compared to other components of GDP. Weaker investment activity will lead to weaker labor demand and a slowdown in income growth relative to the baseline scenario, which in turn will also harm household consumption.

External assumptions in the alternative scenario (difference from the baseline scenario)

	2024	2025	2026	2027
World real GDP (pps)	-1.1	-0.5	0.1	0.0
EU real GDP (pps)	-1.3	-0.8	-0.2	0.0
USD/EUR exchange rate (%)	-5.0%	-2.5%	0.0%	0.0%
Crude oil, Brent (USD/bbl, %)	21.1%	12.3%	0.0%	0.0%
Metals price index (in USD, %)	11.4%	6.5%	0.0%	0.0%
Agricultural raw materials price index (in USD, %)	17.3%	11.3%	0.0%	0.0%
Food price index (in USD, %)	19.6%	12.8%	0.0%	0.0%
EURIBOR 3м. (pps)	0.0	0.0	0.0	0.0

Source: IAF

Main macroeconomic indicators (difference from the baseline scenario)

	2024	2025	2026	2027
Gross Domestic Product				
GDP level current prices [%]	-2.1%	-2.4%	-2.5%	-2.8%
Real GDP level [pps]	-0.7	-0.6	-0.1	0.0
Consumption	-0.1	-0.3	-0.3	-0.1
Gross fixed capital formation	0.3	-1.8	-1.0	0.4
Export of goods and services	-2.5	-1.1	0.0	-0.1
Import of goods and services	-1.3	-1.1	-0.5	-0.2
Labour Market and Prices				
Employment level (SNA)[%]	-0.2%	-0.4%	-0.5%	-0.4%
Unemployment rate (LFS) [pps]	0.1	0.2	0.2	0.2
Compensation of empoyees [%]	-0.8%	-0.9%	-1.0%	-1.3%
GDP deflator [pps]	-1.4	0.3	0.1	-0.4
Annual average HICP inflation [pps]	0.8	0.3	-0.4	-0.5
Balance of Payments				
Current account in % of GDP [pps]	-2.6	-2.4	-1.8	-1.8

Source: IAF

The more unfavorable development of the external environment in 2024 and 2025 will also have a negative impact on the growth of export of goods and services. Import of goods and services will also be lower than the baseline scenario, as a result of weaker domestic demand and export. The negative contribution of net export to GDP growth will increase in 2024 but will be more favorable in the last two years of the forecast period compared to the baseline scenario. The current account balance will follow foreign trade dynamics and developments in import and export prices, leading to its deterioration.

GDP growth will be lower by 0.6-0.7 pps compared to the baseline scenario at the beginning of the period. The level of GDP at both constant and current prices in the alternative scenario will remain permanently below that in the baseline until the end of the forecast period.

9. Other institutions forecasts for GDP growth and inflation in Bulgaria

The following section summarizes the latest forecasts of various institutions for real GDP growth and annual average inflation rate in Bulgaria. These forecasts are not fully comparable, as they were prepared at different points in time and are based on different methods and assumptions. Information is available for the time of their publication, but not for the time of preparation. A forecast prepared at a later stage has an information advantage.

Real GDP growth, %

	2023	2024	2025	Publication date
UniCredit Bulbank	1.8	2.5	3.2	26.03.2024 г.
UBB Part of KBC Group	1.9	2.3	3.0	22.03.2024 г.
International Monetary Fund (IMF)	1.8	2.8		19.03.2024 г.
Eurobank	1.8	2.2	2.6	13.03.2024 г.
Scope Ratings	1.9	2.6	2.9	08.03.2024 г.
ING Bank	1.9	2.9	3.3	06.03.2024 г.
Economic Research Institute at BAS	1.8	2.2	2.9	15.02.2024 г.
European Commission (EC)	2.0	1.9	2.5	15.02.2024 г.
The Vienna Institute for International Economic Studies (wiiw)	1.7	1.5	2.5	30.01.2024 г.
Moody's	1.9	2.9	3.1	26.01.2024 г.
Bulgarian National Bank (BNB)	1.8	2.5	3.4	25.01.2024 г.
DSK Bank	1.7	2.1	2.7	25.01.2024 г.
World bank (WB)	1.7	2.4	3.3	09.01.2024 г.
United Nations Department of Economic and Social Affairs	1.9	2.6	3.0	04.01.2024 г.
Organization for Economic Co-operation and Development (OECD)	1.7	2.8	3.0	29.11.2023 г.
Standard & Poor's (S&P)	1.8	3.3	2.8	24.11.2023 г.
Fitch Ratings	1.9	2.8	3.0	27.10.2023 г.
European Bank for Reconstruction and Development (EBRD)	1.6	2.6		27.09.2023 г.
Raiffeisen research	1.7	2.5		21.09.2023 г.
Min	**1.6**	**1.5**	**2.5**	
Max	**2.0**	**3.3**	**3.4**	
Average	**1.8**	**2.5**	**3.0**	
Institute for Analysis and Forecasting	**1.8**	**3.2**	**2.7**	

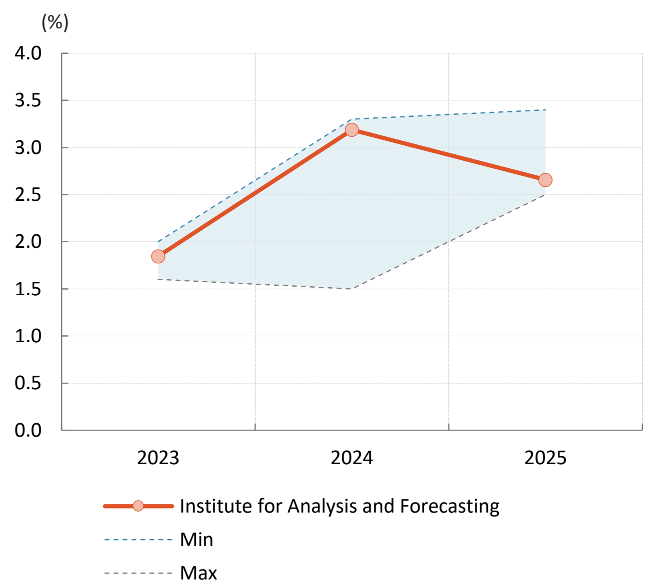
Source: publications of the respective institutions

Annual average inflation, %

Harmonised Index of Consumer Prices (HICP)	**2023**	**2024**	**2025**	**Publication date**
UBB Part of KBC Group	8.6	4.2	3.0	22.03.2024 г.
Economic Research Institute at BAS	8.6	3.9	3.6	15.02.2024 г.
European Commission (EC)	8.6	3.4	2.9	15.02.2024 г.
The Vienna Institute for International Economic Studies (wiiw)	8.6	7.0	5.0	30.01.2024 г.
Moody's	8.6	3.9	2.9	26.01.2024 г.
Bulgarian National Bank (BNB)		4.1	3.1	25.01.2024 г.
DSK Bank	8.4	3.1	2.0	25.01.2024 г.
Scope Ratings	9.4	3.8	2.9	17.01.2024 г.
United Nations Department of Economic and Social Affairs	8.4	3.0	2.8	04.01.2024 г.
Standard & Poor's (S&P)	8.9	4.3	2.8	24.11.2023 г.
Fitch Ratings	9.1	4.6	2.9	27.10.2023 г.
International Monetary Fund (IMF)	8.5	3.0	2.1	05.10.2023 г.
Min	**8.4**	**3.0**	**2.0**	
Max	**9.4**	**7.0**	**5.0**	
Average	**8.7**	**4.0**	**3.0**	
Institute for Analysis and Forecasting	**8.6**	**2.4**	**2.8**	
Consumer price index (CPI)				
UniCredit Bulbank	9.6	3.1	2.9	26.03.2024 г.
ING Bank	9.6	3.4	4.1	06.03.2024 г.
Eurobank	9.6	3.6	3.1	08.02.2024 г.
Organization for Economic Co-operation and Development (OECD)	9.5	4.5	3.1	29.11.2023 г.
World bank (WB)	9.8	5.6	4.2	05.10.2023 г.
Raiffeisen research	9.6	3.9		21.09.2023 г.

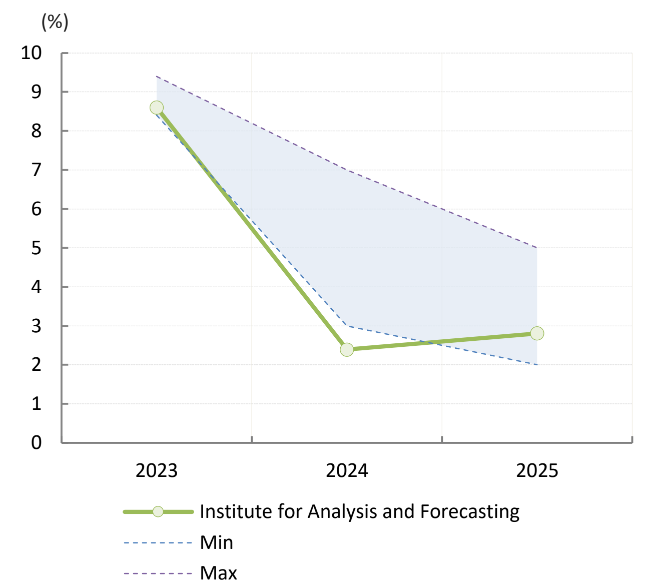
Source: publications of the respective institutions

Range of forecasts for real GDP growth



Source: publications of the respective institutions

Range of forecasts for annual average HICP



Source: publications of the respective institutions

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