



# REGIONAL PROFILES

INDICATORS OF DEVELOPMENT 2024

Can Bulgaria catch up  
with CEE economies?

Opportunities and risks for Bulgaria's  
regions on the eve of the euro

[www.regionalprofiles.bg](http://www.regionalprofiles.bg)

2024

**IME**  
Institute for Market Economics

AMERICA FOR  
BULGARIA  
FOUNDATION

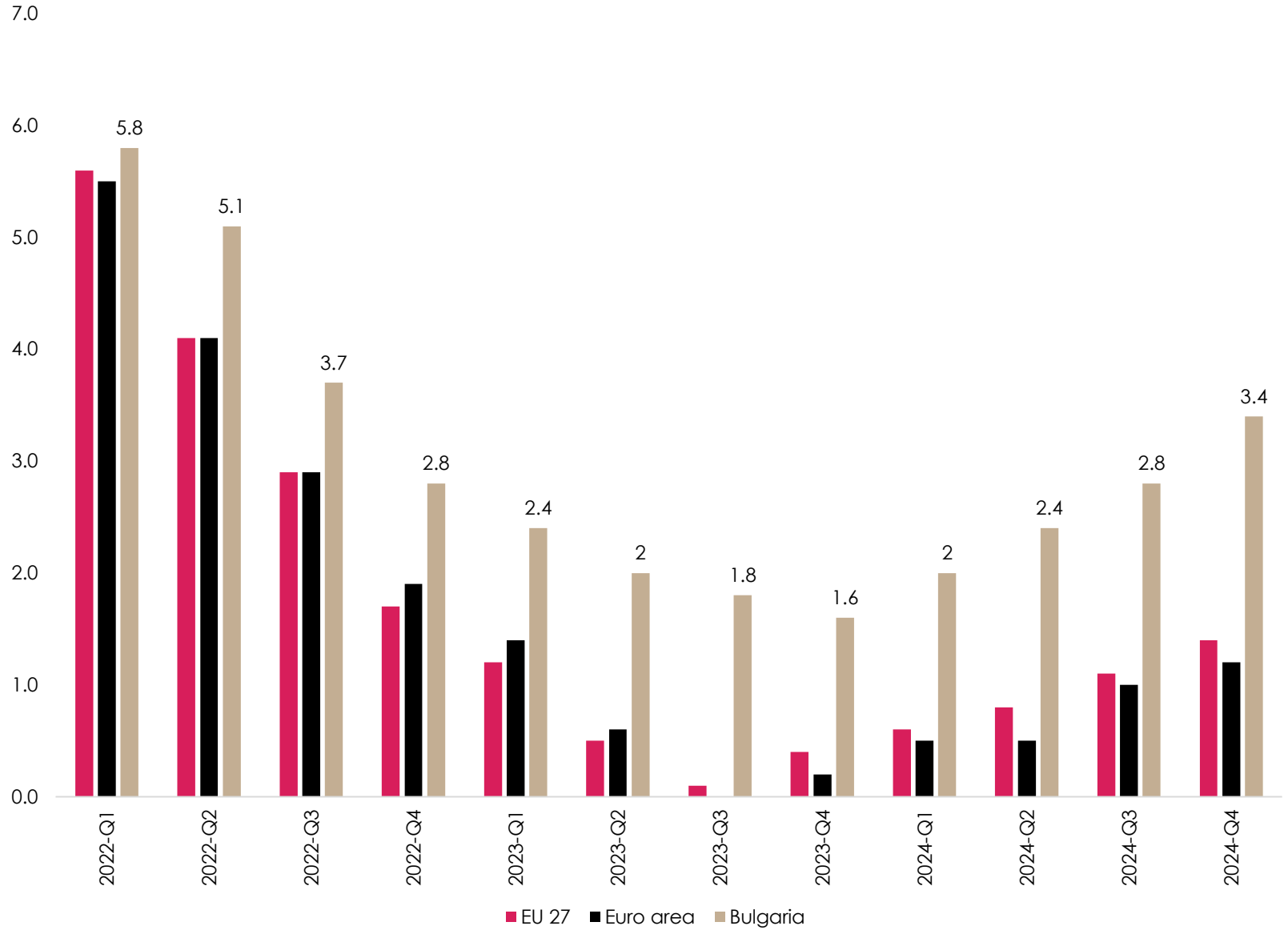


# Current economic developments

Latchezar Bogdanov, [bogdanov@ime.bg](mailto:bogdanov@ime.bg)

# The return of economic growth?

Real GDP, annual % change

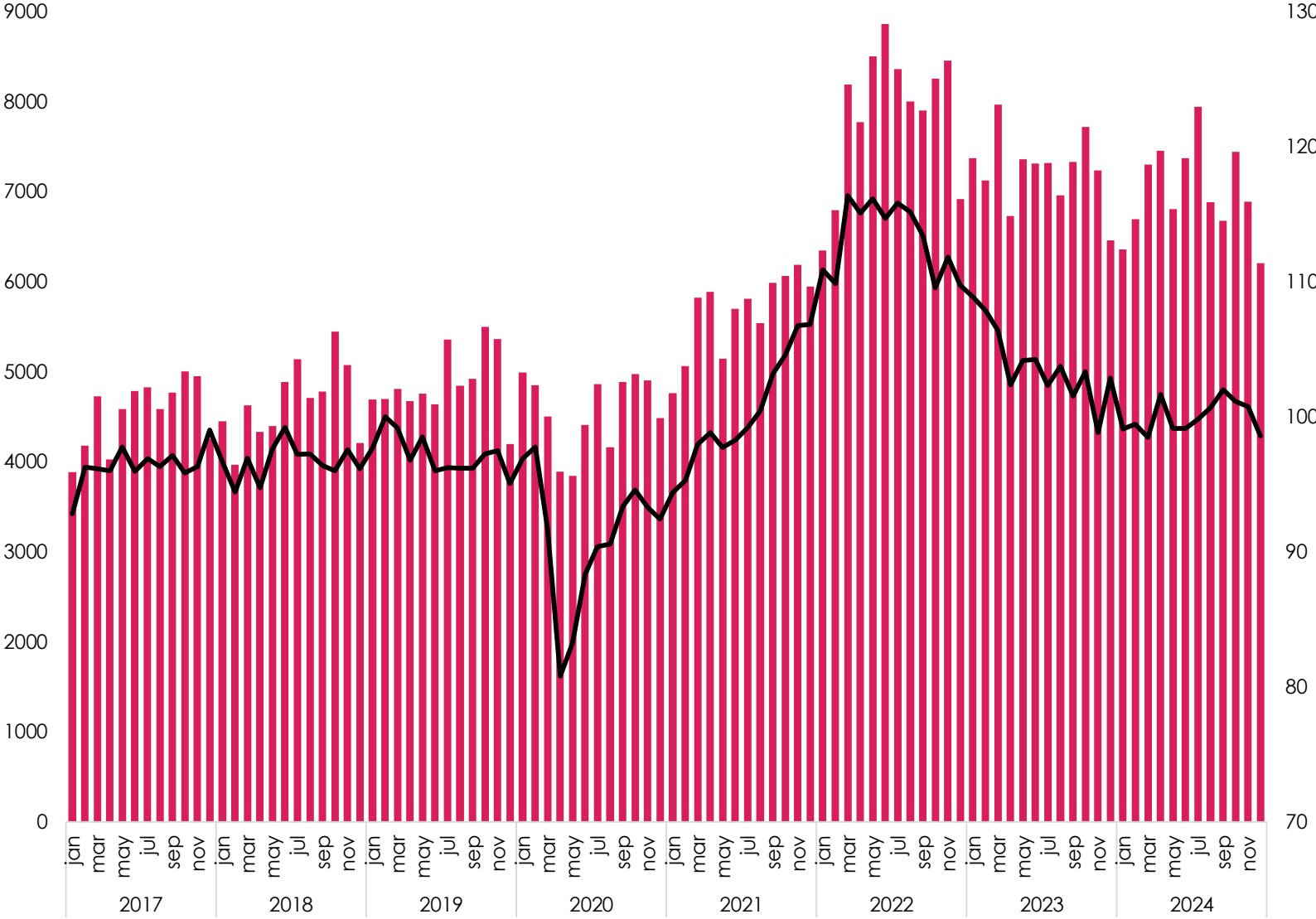


- GDP growth in the EU and the euro area accelerated again;
- The risks of recession are seriously diminished
- Bulgaria has consistently outperformed the EU average growth throughout the period
- GDP growth in Bulgaria in 2024 is driven by household consumption as both investments and exports stagnated



# The challenge of stagnating export markets

Exports and industrial production

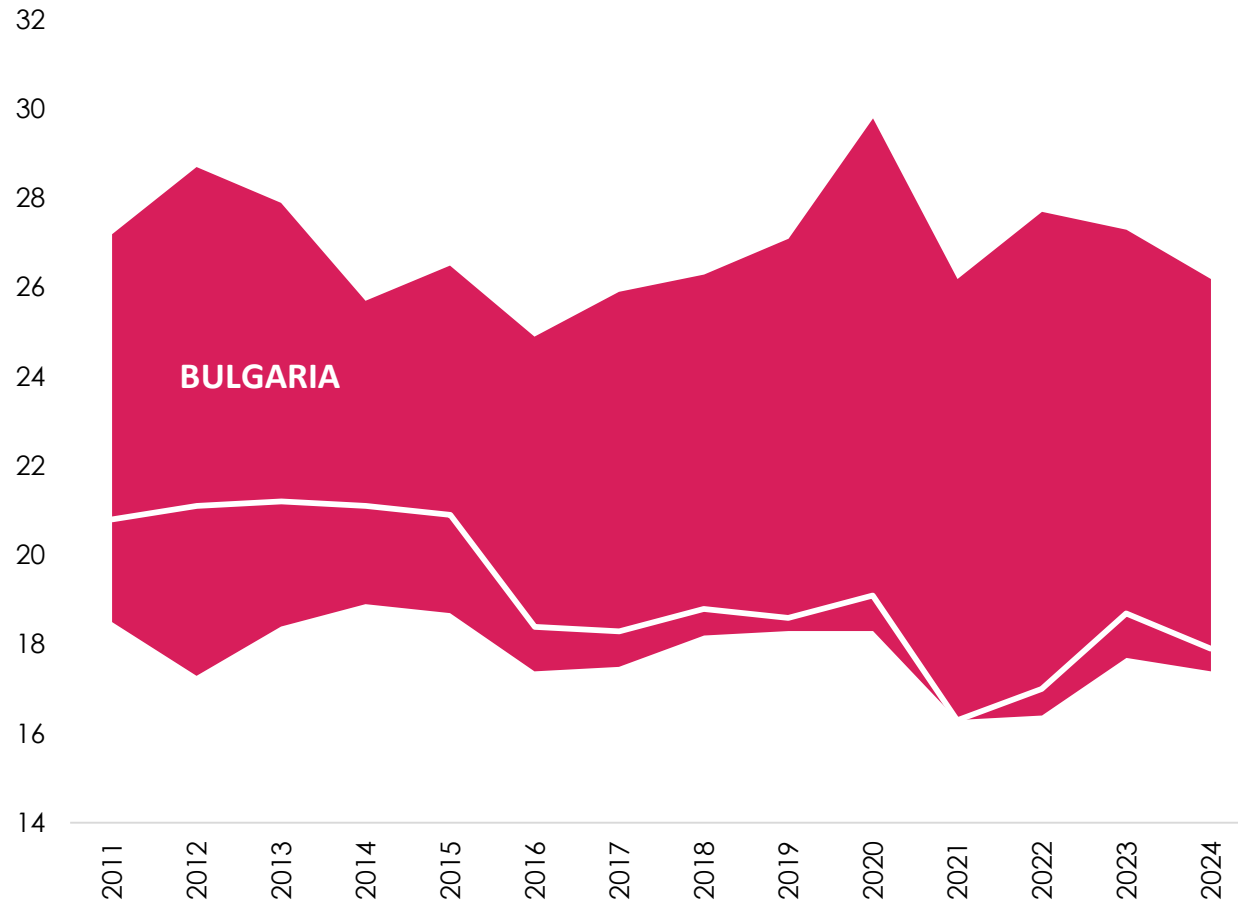


- Nevertheless, Bulgarian exports struggled since the peak in 2022
- Bulgarian economy is small and open and hence reliant on global trade
- Industrial production index closely follows the dynamics of exports
- Global trade wars might further deteriorate the conditions for Bulgarian manufactures



# Investment activity is consistently low overt the last decade

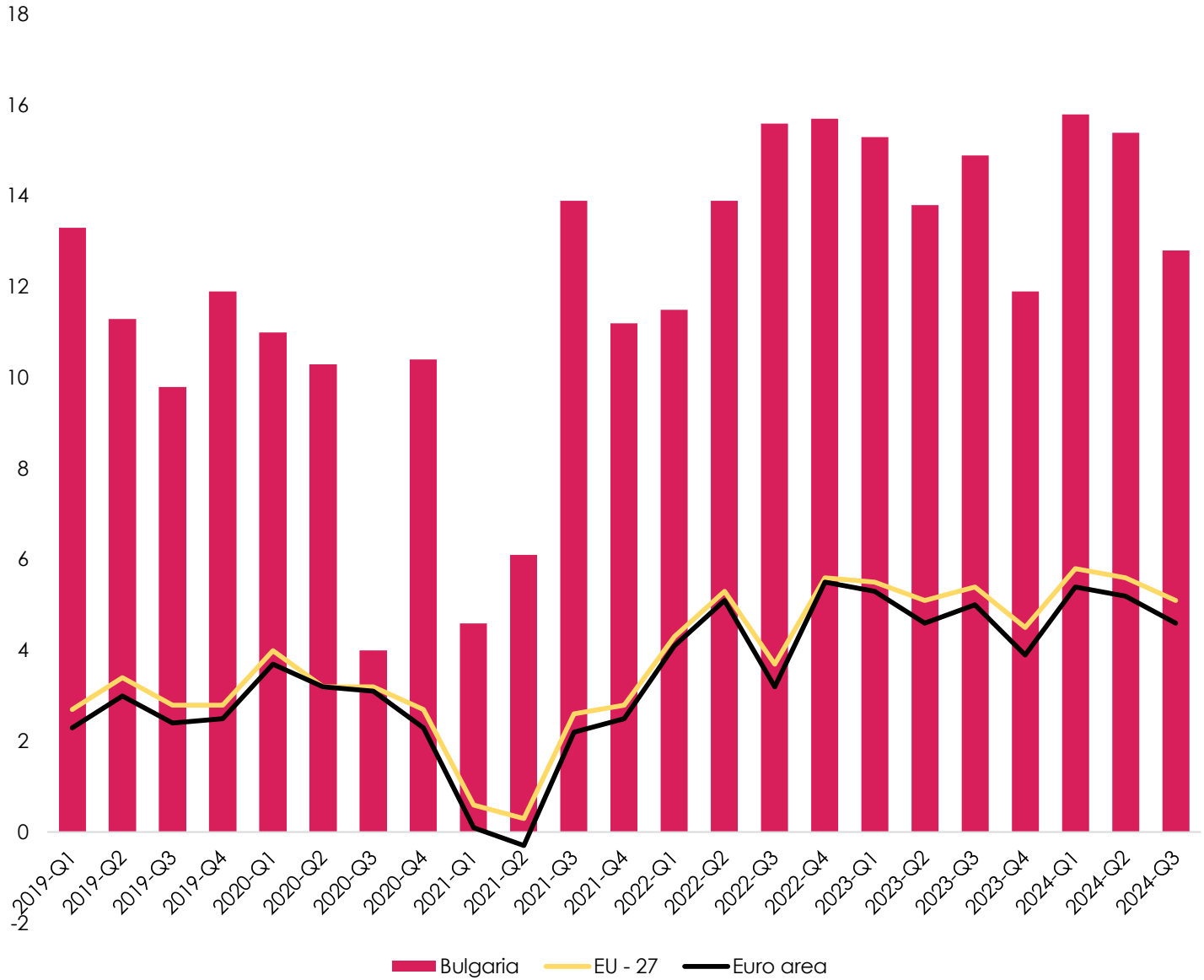
Gross fixed capital formation, % of GDP,  
Bulgaria and CEE countries (min-max)



- For more than a decade, however, Bulgaria has reported persistently capital formation below 20% of GDP, with an average for the period 2019-2023 of 17.9%.
- Investment activity is the indicator on which we lag significantly behind other countries in CEE.
- All the successful examples in the region are achieving outperformance and convergence with investment in the order of 25% of GDP.
- Foreign direct investment has averaged 3.8% of GDP over the five years to 2023.
- In 2024 the investment rate is 17.9% of GDP

# Tight labour market continues to push wages higher

Labour cost index, annual % change



- The average annual growth of labour costs in Bulgaria is 12% since 2019
- It exceeds significantly the average growth for the EU as a whole and the euro area economies and is similar to only several countries in the CEE
- It is driven by demographic trends which limit the supply of labour, but also by high productivity growth and convergence
- At the same time, it gradually reduces competitive advantages in labour intensive industries and services





# Regional profiles 2024 – a few highlights

Adrian Nikolov, [nikolov@ime.bg](mailto:nikolov@ime.bg)

## Regional profiles 2024 – what is it?

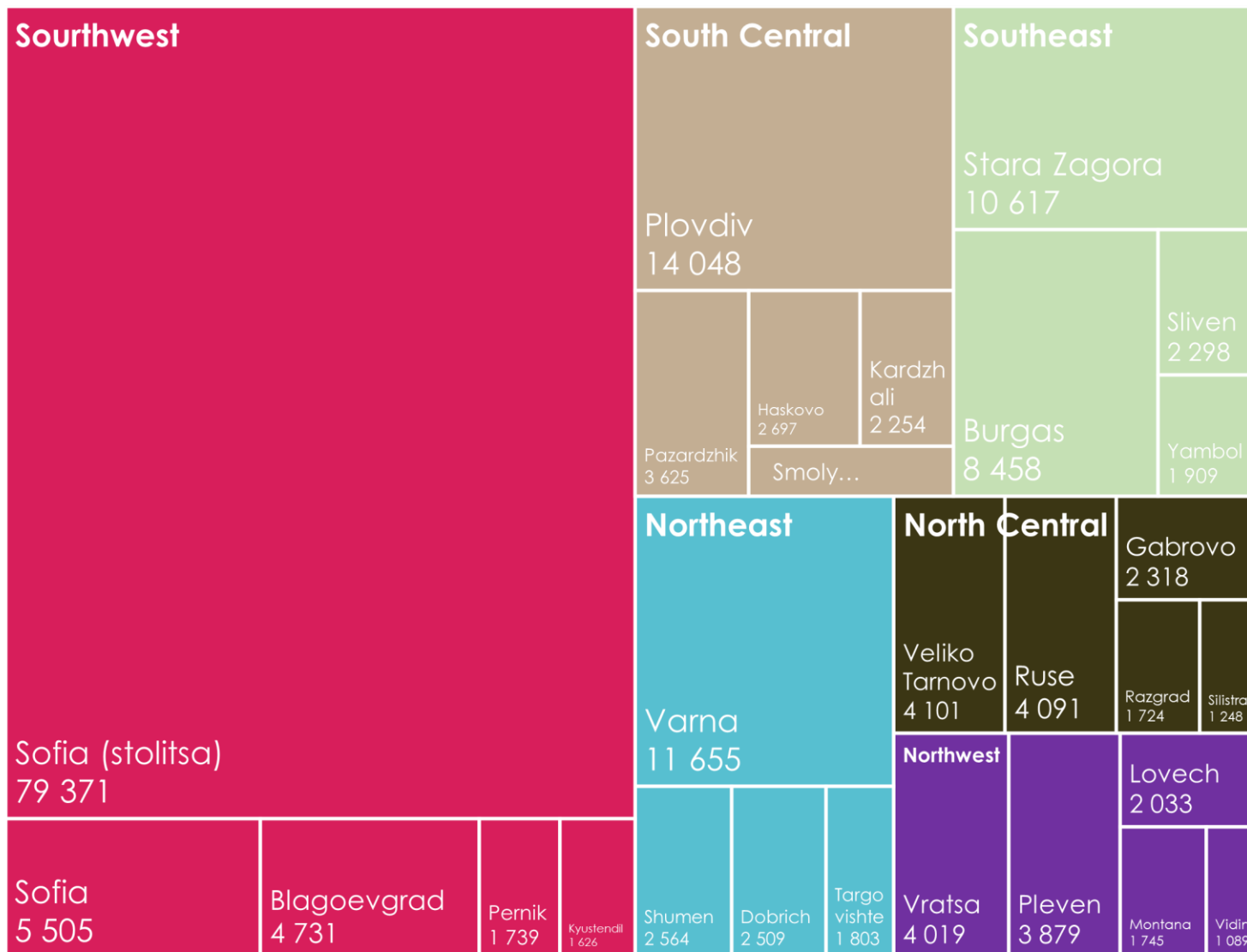
- The “Regional profiles” track the trajectory of economic and social development of the regions in Bulgaria over the last 10 years
- The 2024 edition covers the period of recovery and normalization after the pandemic, presenting persistent regional disparities and the regions' potential for development on the threshold of new challenges
- The “Regional profiles” are based on 75 indicators of economic and social development, grouped into 12 main categories – from macroeconomics and investment to education and demographics
- Used by decision makers, businesses, academics, and many others
- Prepared by IME with the support of the America for Bulgaria Foundation



# The distribution of national GDP – the capital dominates

GDP per capita by district and planning region, 2023, BGN million, NSI

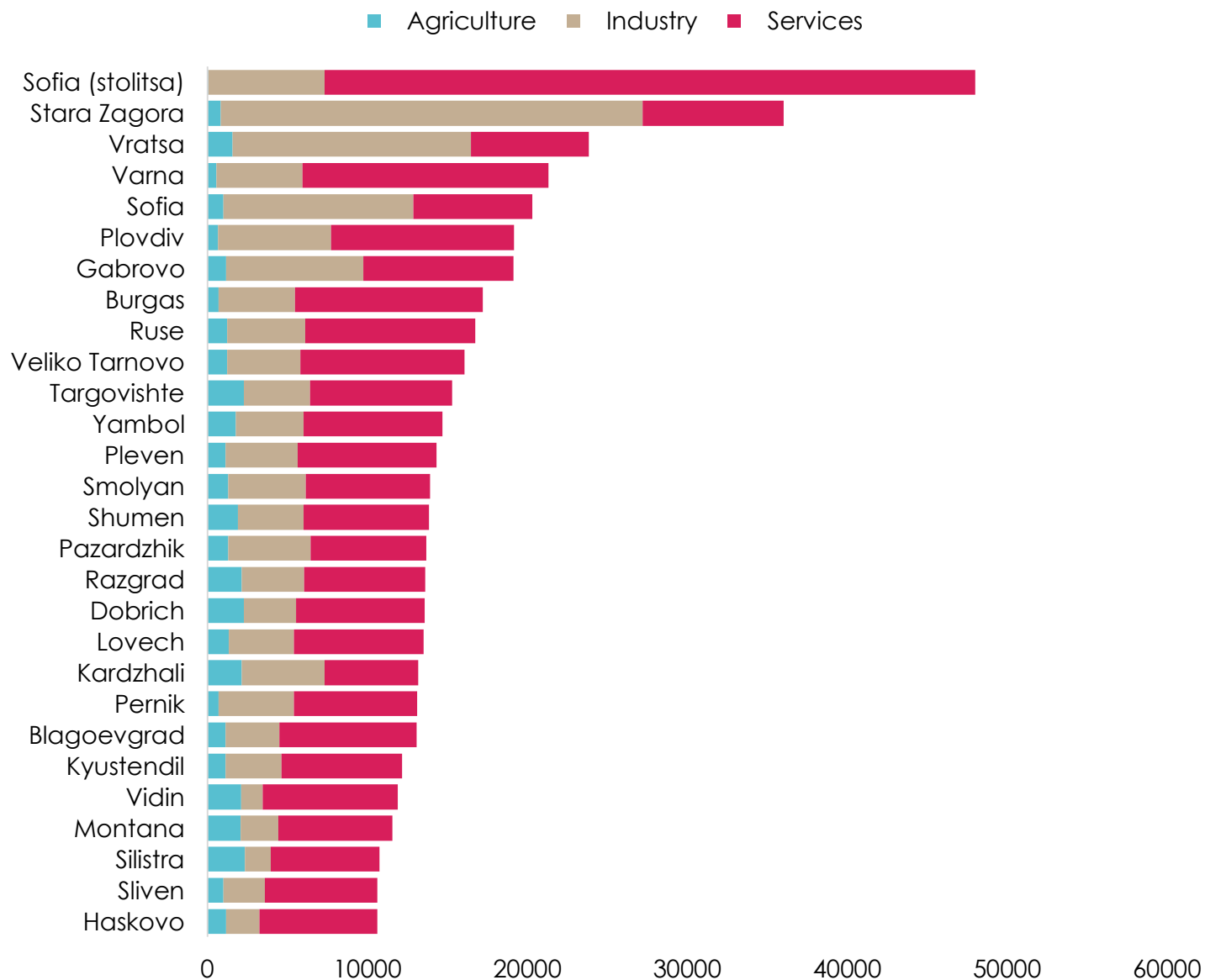
■ Northwest 
 ■ North Central 
 ■ Northeast 
 ■ Southeast 
 ■ Southwest 
 ■ South Central



- Sofia has regained its 43% of the total national GDP in 2023, primarily due to normalization in the structure of the economy after pandemic and war
- Plovdiv, Varna and Stara Zagora also above BGN 10 billion
- No regional economy below BGN 1 billion, partially due to inflation
- Growth very uneven, with many parts of the country growing below inflation

# Different developmental models – services, industry, agriculture

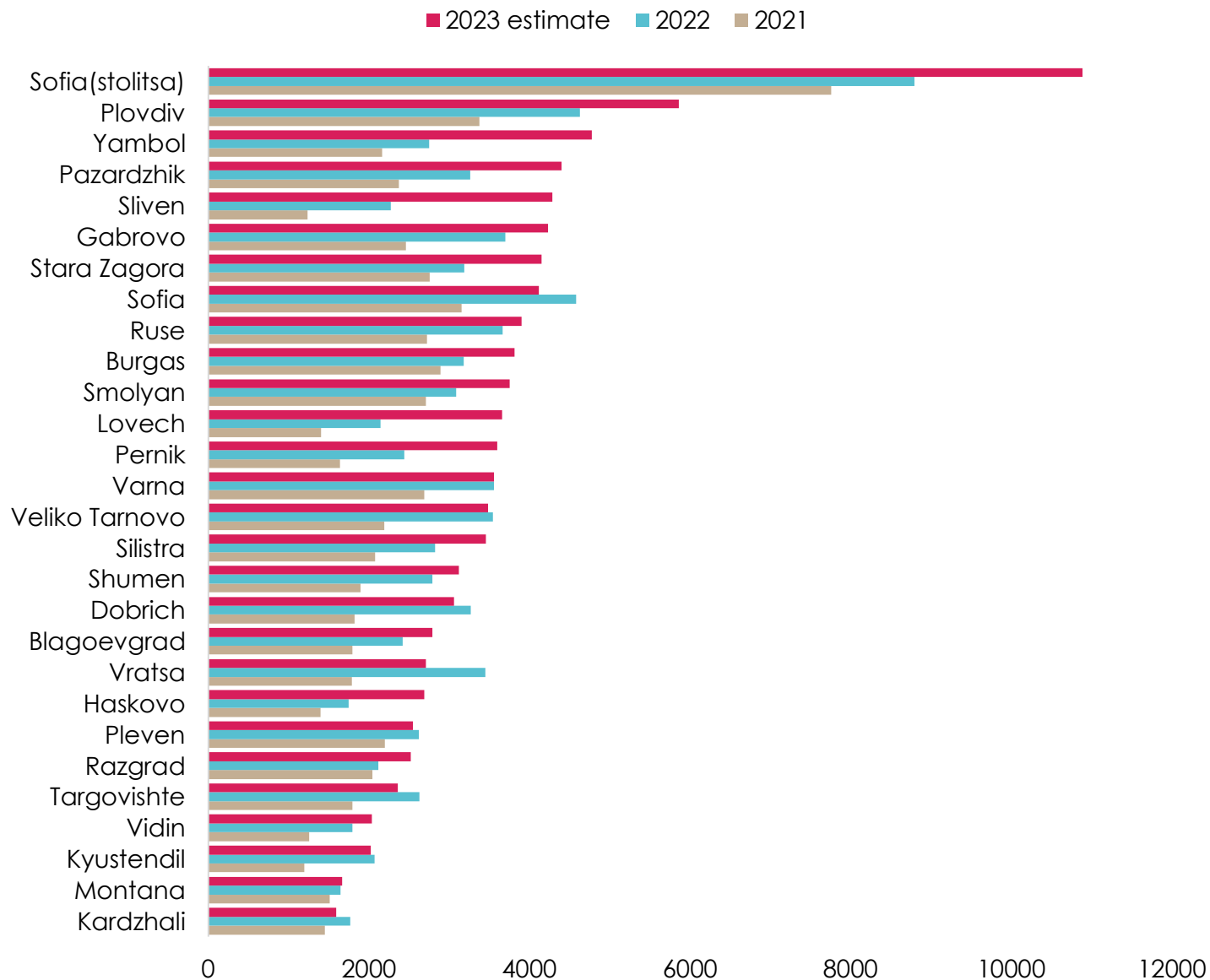
GVA by district and broad economic sector per capita, 2023, BGN, NSI



- Services play an ever larger role in the economic model of the most developed regions
- Manufacturing is a key driver of growth in the catching-up districts
- Energy has led to high performance in 2022-23
- Agriculture is associated with lower-developed regions
- Tourism has recovered quickly after the lockdowns

# Investment as a force for further inequality

FTA expenditures per capita by region, 2021-2023, NSI, IME estimate

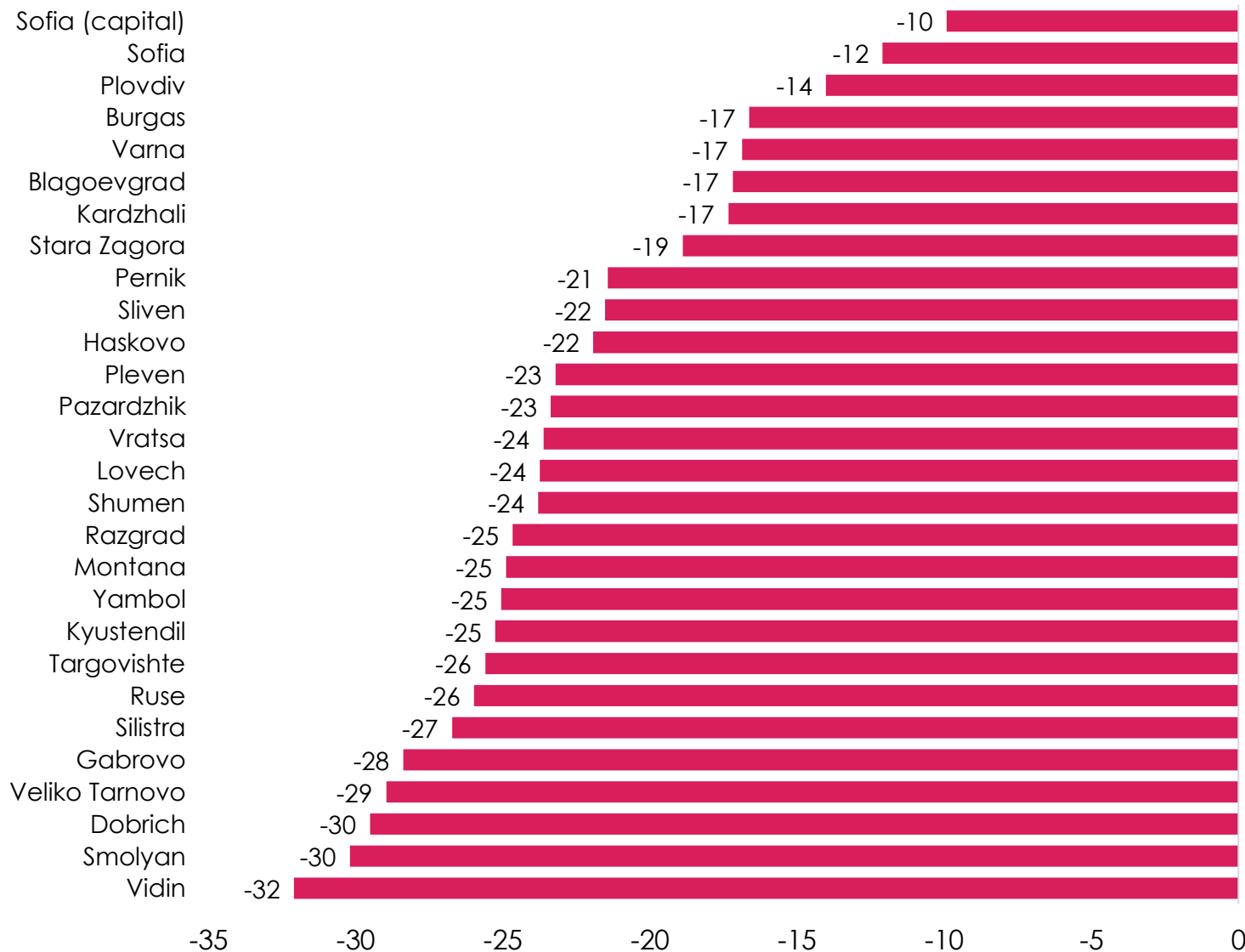


- Investment rates have mostly recovered in 2023, spurring economic growth
- The most developed regions attract most investment, prompting increases in regional inequality
- Infrastructure, human capital and local business environment are the key factors preventing higher investment rates

# A rapidly declining labor force

Change in working-age (15-64) population by region, 2011-2021, %

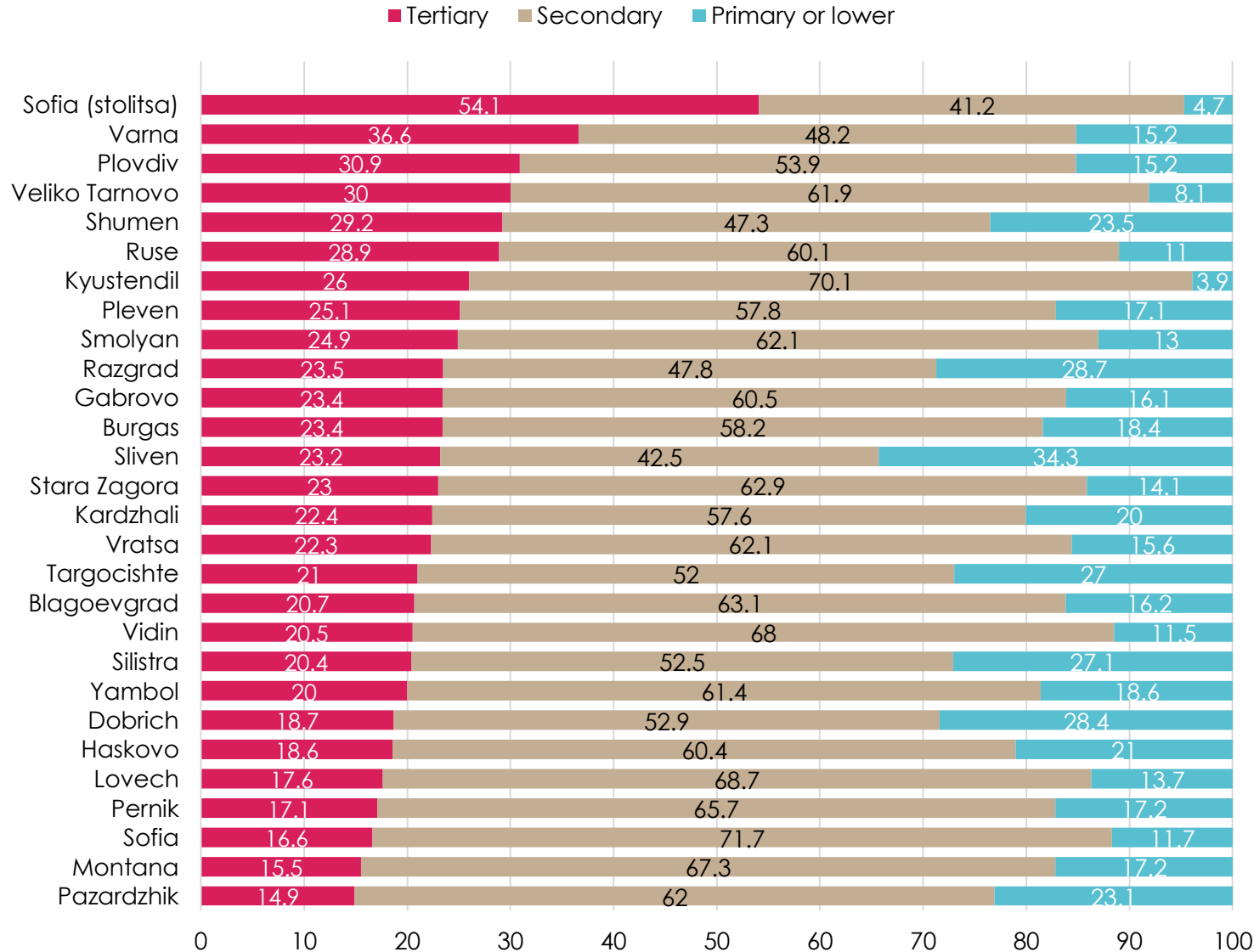
NSI, IME calculations



- Working-age population is declining at a faster rate than overall – a consequence of aging
- Losses vary from a total 1/3 of the labour force to 1/10<sup>th</sup>, but most regions lose over 20%
- Serious threat to investment and development – do more with less people
- Key importance of innovation and improving human capital

# Education and skills still a key obstacle to development

Population aged 25-64 according to the highest educational level attained,  
%, 2023 г., NSI



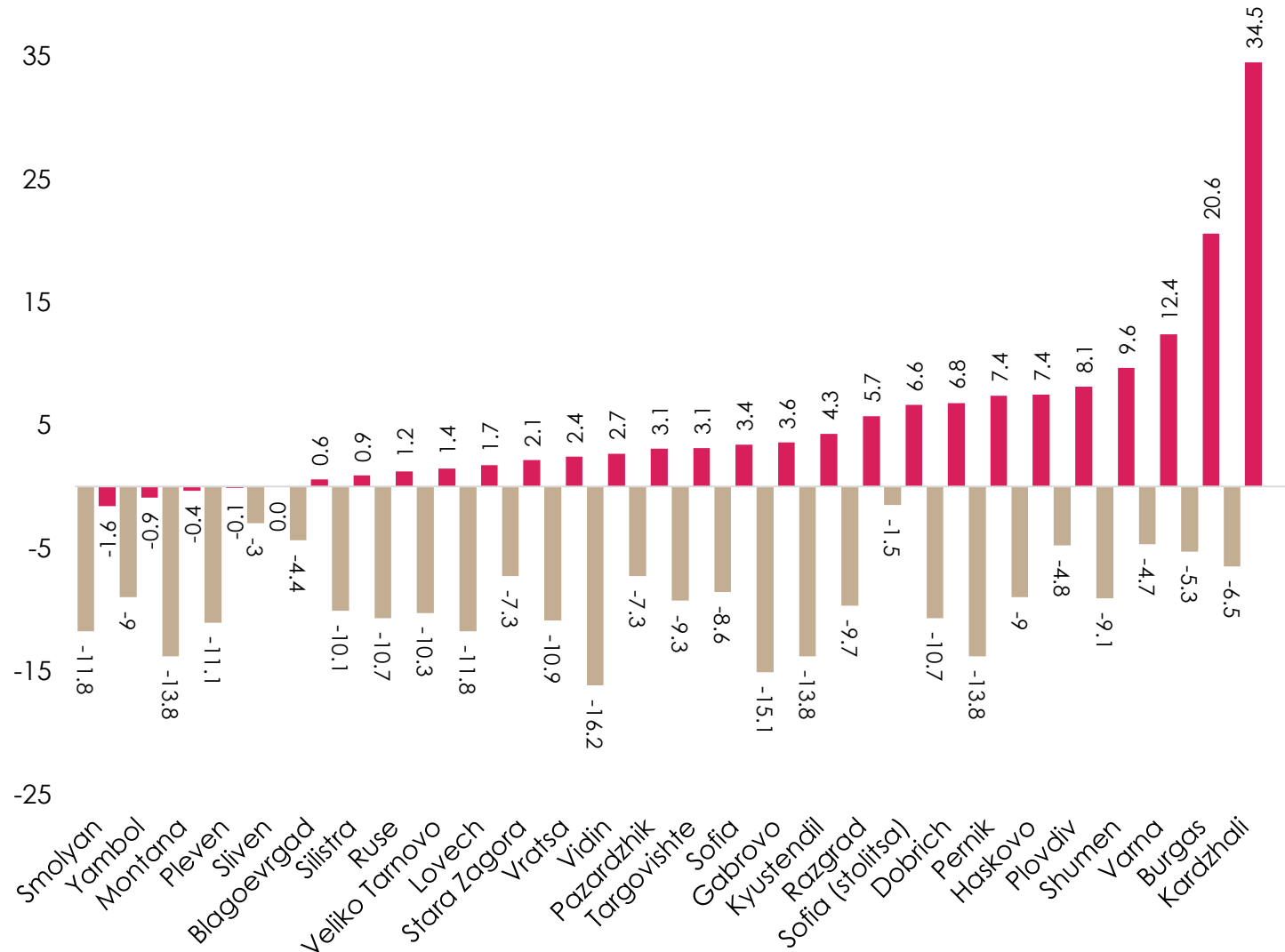
- Leading local economies are characterized by a high share of university graduates, who find employment mainly in services
- Districts with an industrial focus have a higher share of people with secondary education, including specialists with professional qualifications
- There are districts with many people with primary education - with almost impossible employment on the labor market and fewer and fewer potential jobs



# Reversing migration as a breather for local labor markets

Natural growth and net migration, 2023 r., %  
NSI, IME calculations

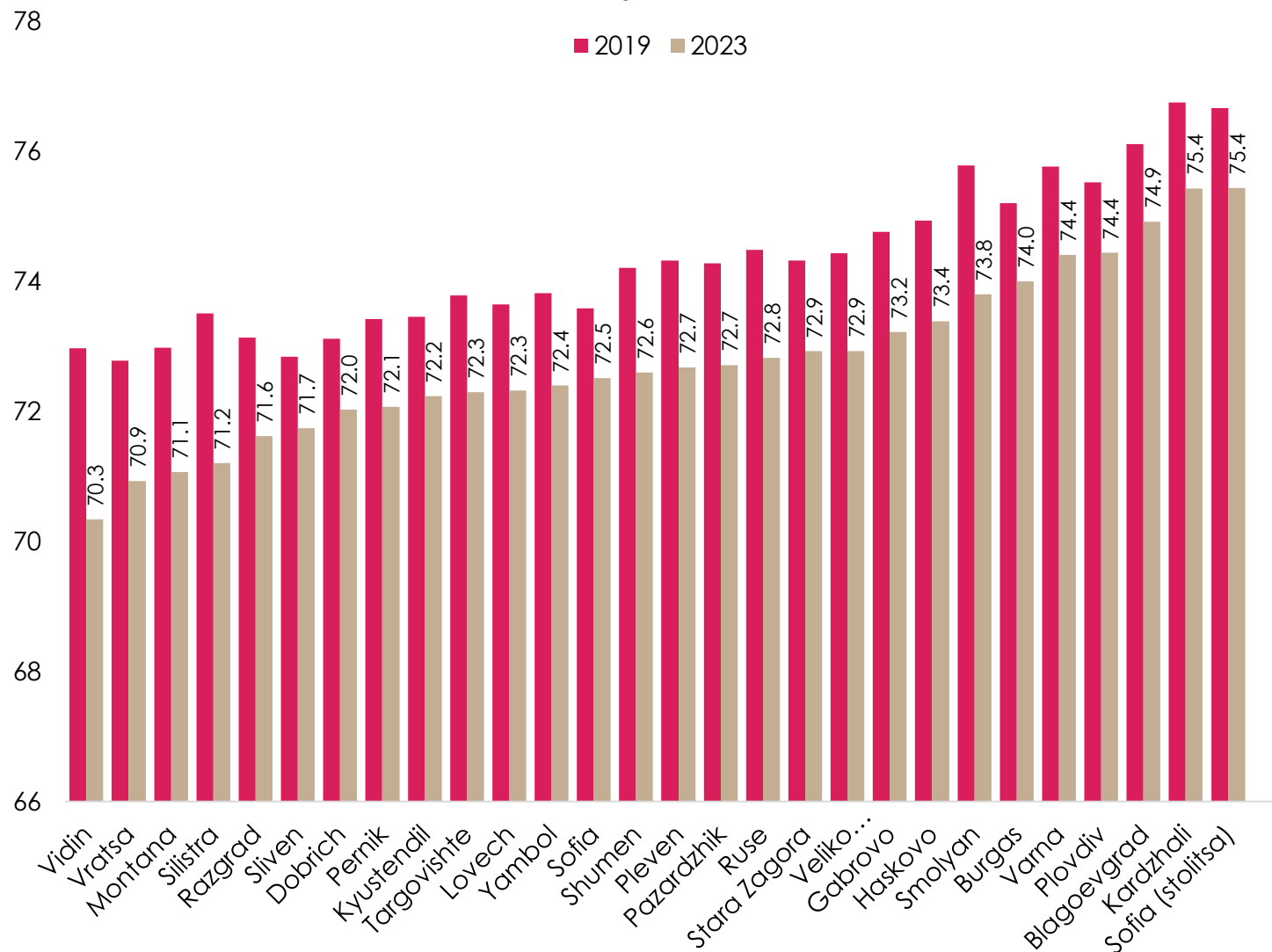
■ Natural increase ■ Net migration



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# Life expectancy not yet recovered

Average life expectancy by district,  
2019 and 2023,  
NSI



- After Covid-19, life expectancy is collapsing everywhere, but the differences are also large - five years between the leaders and the laggards
- Healthcare coverage is improving, but not the quality
- Access to general practitioners and specialists is gradually deteriorating
- There are visible problems with pharmacy coverage



**IME regional websites – data, insights, reform  
and more**



# Regional Profiles

## Indicators of Development

The publication „Regional Profiles: Indicators of Development” aims to provide objective and comprehensive information on the development of Bulgarian districts. Through the elaboration of separate district profiles and regular thematic analyses, the publication presents the economic and social aspects of life in every district.

[Read more about the project](#)

## Energy and Manufacturing Pull Regions Forward in 2022

05.02.2024

NSI publishes data on the economic development of districts in 2022 The unprecedented growth of Stara Zagora,...

## Sofia Municipality is too dependent on the Property Market

30.01.2024

In 2024, Bulgaria's economy is expected to grow by nearly BGN 15 billion and reach over BGN 205 billion. This...

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### ECONOMIC DEVELOPMENT



### SOCIAL DEVELOPMENT



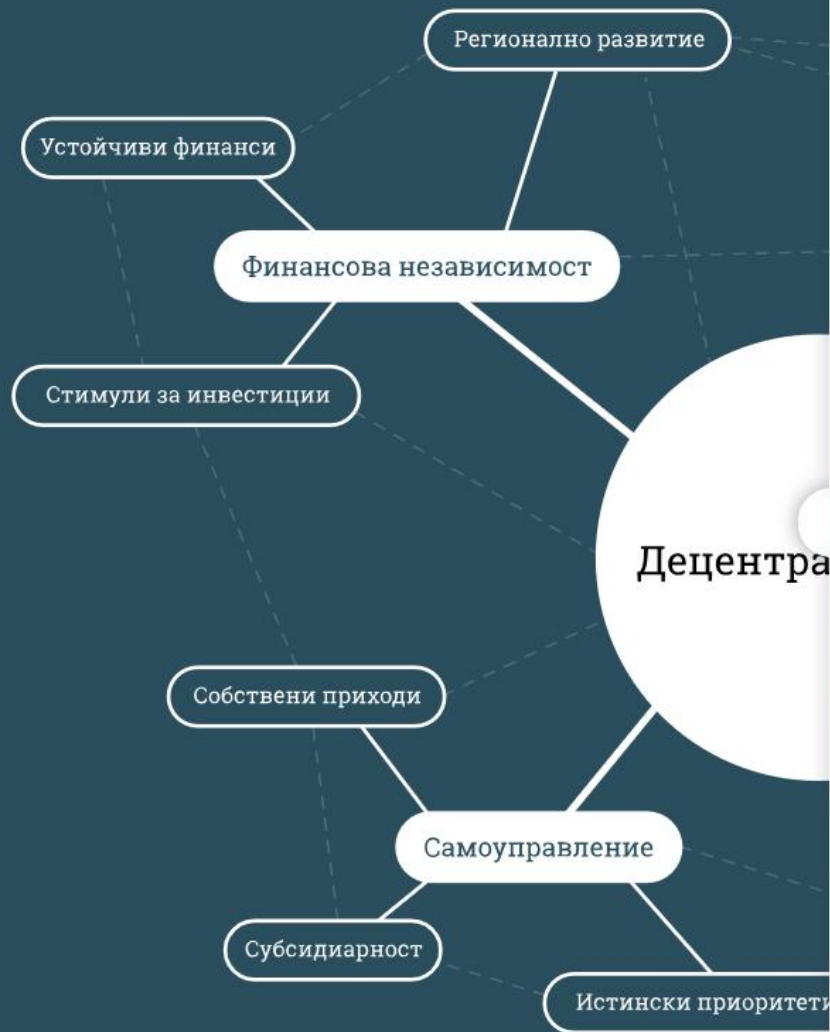
- Икономика и инвестиции
- Пазар на труда
- Демография
- Образование
- Здравеопазване
- Местни финанси
- Социални услуги
- Екология
- Администрация
- Инфраструктура



С ПОДКРЕПАТА НА







ДЪЛГОВЕ  
Забравени региони  
Ограничени възможности  
Децентрализация  
са на пари  
политическа зависимост  
симост  
ържавните  
сфери

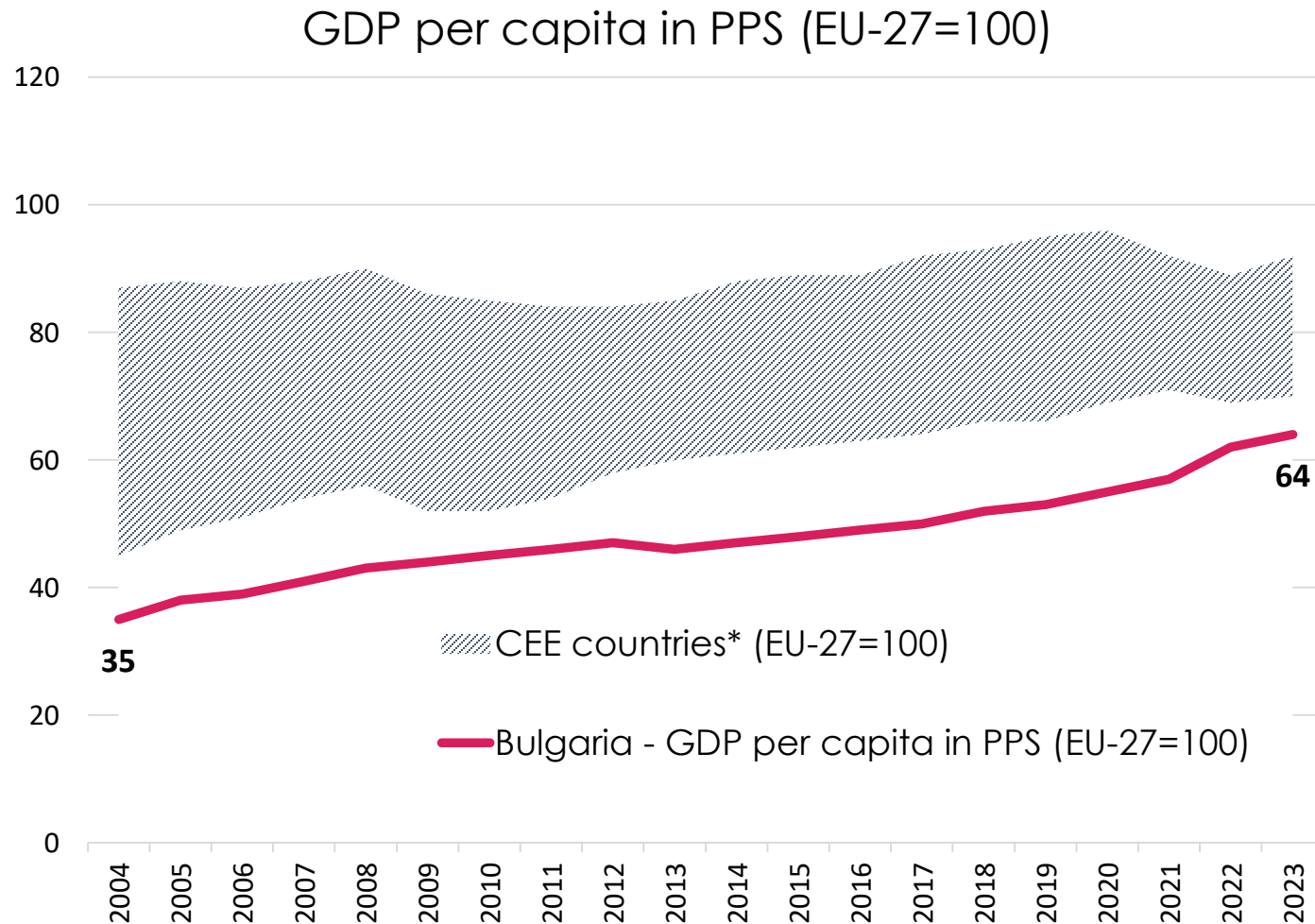
от държавните трансфери

Пристрастяване към помощите

# Can Bulgaria catch up with CEE economies?

Petar Ganev, [ganev@ime.bg](mailto:ganev@ime.bg)

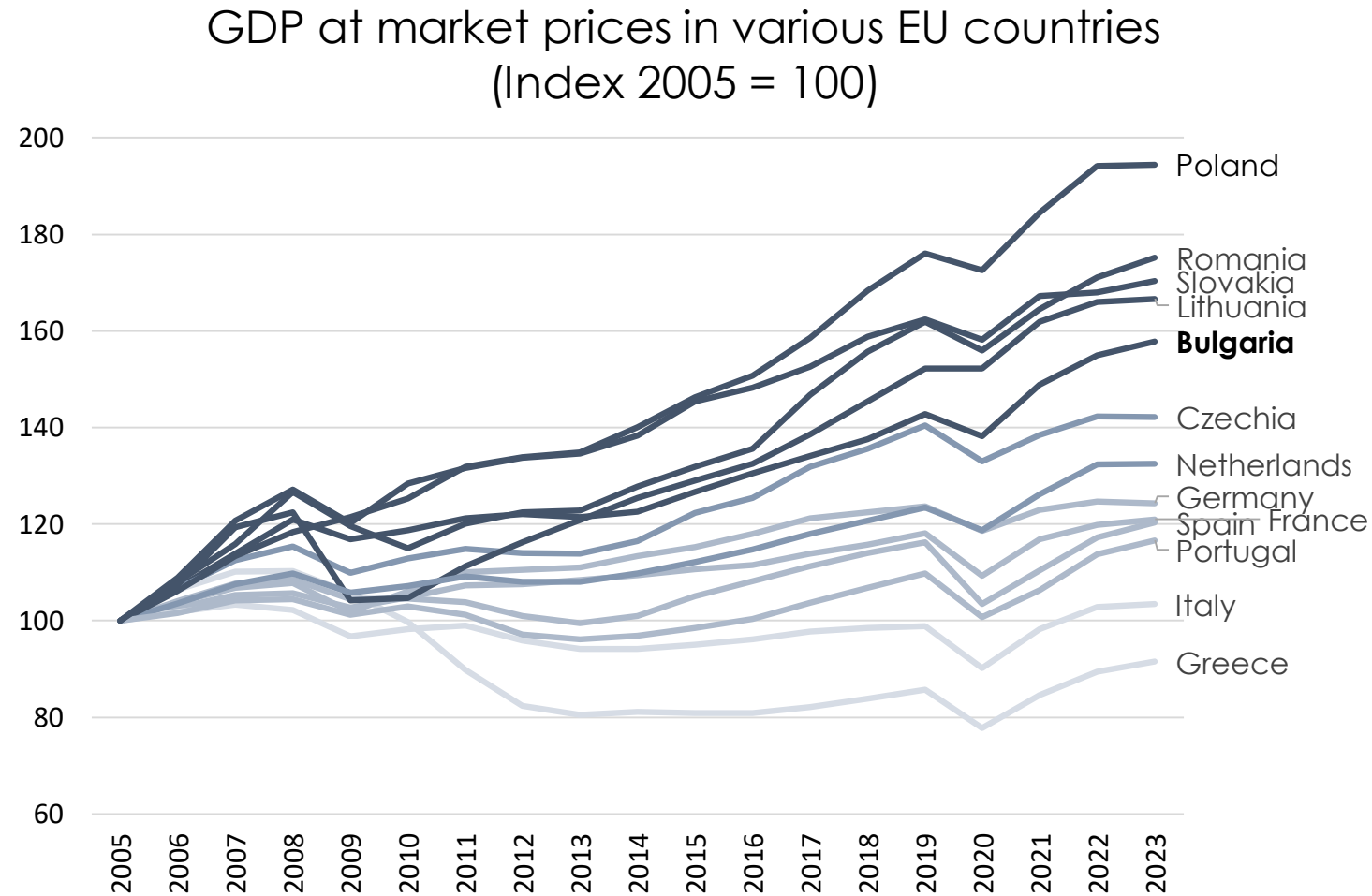
# Bulgarian economy – two decades of convergence, but still lagging behind the CEE group



- Bulgaria is catching up in terms of GDP per capita in purchasing power standards (PPS), reaching 64% of the EU average in 2023;
- The CEE countries (EU members since 2004) are all in the range 70-90% of the EU average;
- While convergence indicators are improving in the last two decades, Bulgaria is facing major (political) challenges and needs to pursue policies in support of competitiveness.

\*CEE countries: Poland, Hungary, Czechia, Slovakia, Slovenia, Estonia, Latvia, and Lithuania (EU members since 2004)

# Bulgaria and the CEE region as an example for the future of the European competitiveness

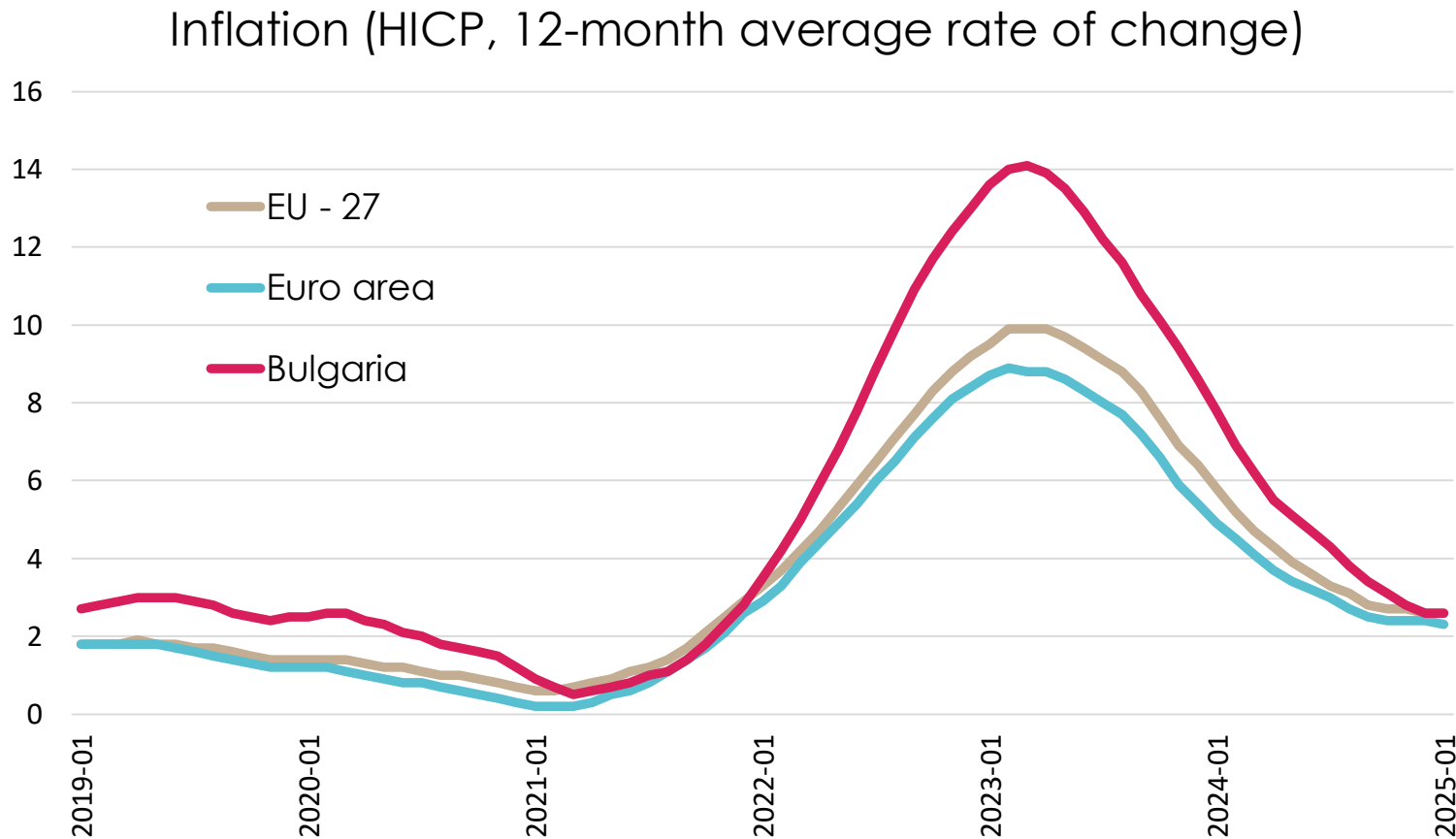


- The EU's share in the world economy has shrunk from 25.8% in 2004 to 17.6% in 2024;
- CEE countries registered higher economic growth than the EU average in most of the last 20 years;
- The GDP 2005-based index reached 140–200 in virtually all CEE countries;
- While Bulgaria is catching up, there is still potential for higher growth.

Source: Reviving Europe's Competitive Edge (EPICENTER 2025)



# Bulgaria's path towards the euro – inflation in the spotlight

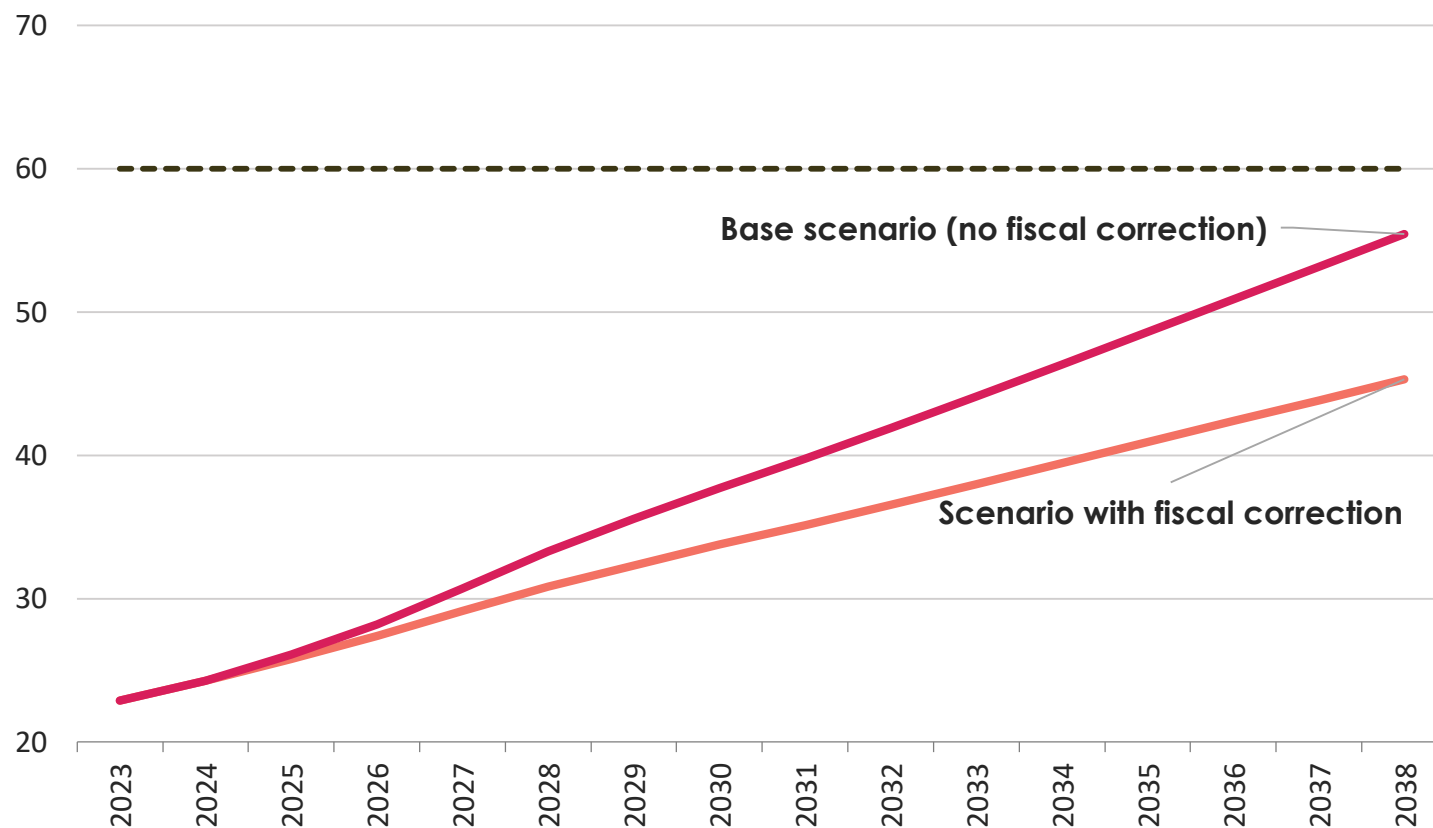


- Bulgaria requested (February 25, 2025) the European Commission and the ECB to prepare extraordinary Convergence reports to assess the progress made towards fulfilling the criteria necessary to adopt the euro;
- The Convergence reports are expected early June and will most probably give a green light for adopting the euro from January 1, 2026;
- Bulgaria is expected to cover the inflation criteria throughout most of 2025.



# Bulgaria's path towards the euro – fiscal policy might be the bigger issue

General government gross debt projection  
(% of GDP)



- Public spending in Bulgaria increased significantly after the pandemic;
- While consolidated public spending has been stable at around 36-37% of GDP in the period 2005-2019, in the post-pandemic period (2020-2024) spending is above the 40% of GDP threshold;
- The National medium-term fiscal-structural plan (2025-2028) is projecting fiscal deficits and increase in public debt to around 50% of GDP by 2038.

# IME White Paper "Unlocking Growth: The Path Forward After the Elections" (2024)

IME published a white paper on "Unlocking Growth" after the latest elections (October 2024). The paper presented IME policy ideas and proposals on fiscal policy, human capital, competitiveness and growth, and the rule of law. Some the main goals in IME white paper are as follows:

- Reaching **75% of the EU average in GDP per capita** based on purchasing power parity;
- Increasing public and private investments in the economy, so that **gross capital formation reach 20-25% of GDP**;
- Improving **PISA scores by 25-50 points** and reducing the share of underperforming students;
- Sustainably reversing migration trends and achieving a **net migration gain of over 50,000 people** per year;
- Increasing **municipalities' financial autonomy**, with local revenue covering more than 40% of total expenditures;
- Effective **fight against corruption** and moving up from the bottom in EU rankings for rule of law.





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