A 21st member of the euro area for 2026: Bulgaria

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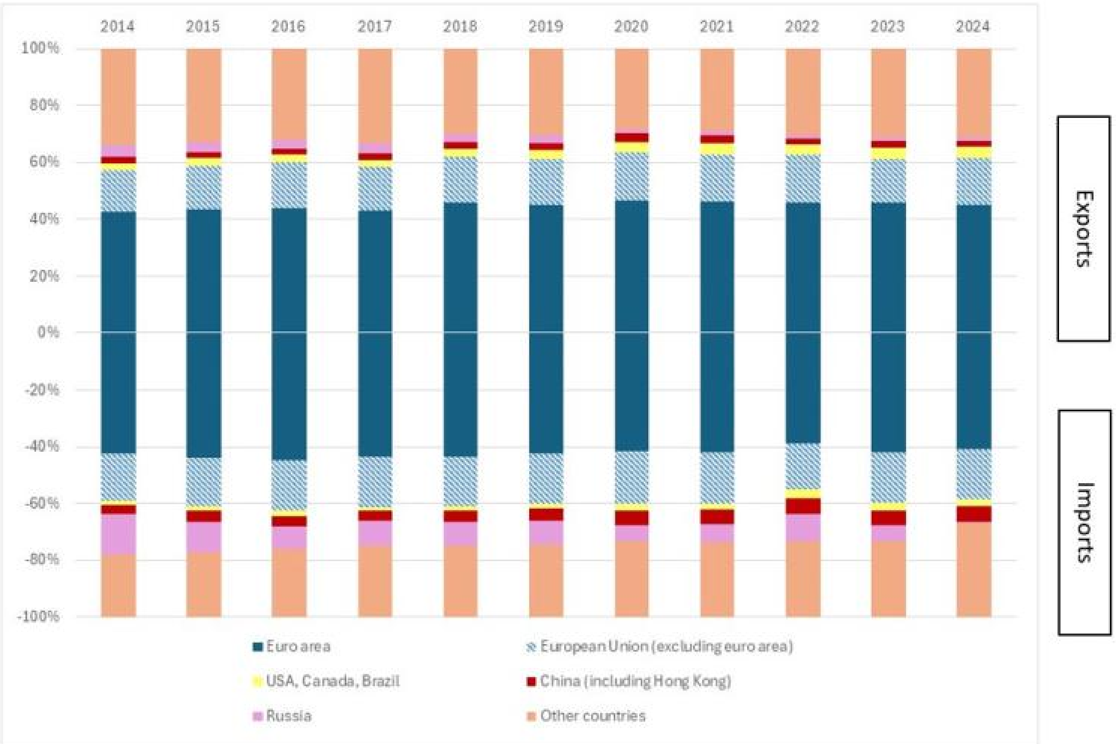
After joining the European Union in 2007, Bulgaria will adopt the euro on 1 January 2026 and become the 21st member of the euro area. Bulgaria's entry was enabled by its compliance with the convergence criteria and its accession will strengthen its economic integration with its euro area partners. However, it still has institutional and structural challenges to face if it is to accelerate its economic catch-up.

Chart 1: Share of Bulgarian exports and imports of goods and services by partner country



Source: Eurostat.

Key: In 2024, 45% of Bulgaria's exports of goods and services went to the euro area (62% for the EU) and 41% of imports came from the euro area (59% from the EU).

Compliance with the convergence criteria enabled Bulgaria's euro area accession

The entry of a new European Union (EU) Member State into the euro area is conditional upon its compliance with the economic and legal convergence criteria laid down in the European treaties. In a monetary zone, a single monetary policy common to all members is more effective when the national economies have attained a relatively high degree of economic convergence.

As Bulgaria now meets all the criteria according to assessments carried out by the European Commission and the European Central Bank, on 8 July 2025 the Council of the EU approved the country's official entry into the euro area and set an irrevocable exchange rate between the euro and Bulgaria's national currency, the lev, of 1.95583 (the current rate).

Bulgaria complies with the four economic criteria set out in the Treaties: (i) price stability, with average inflation in 2024 of 2.7% over the previous 12 months; (ii) sustainable public finances, with the public debt and government deficit at 24.1% and 3% of GDP, respectively, in 2024 and the country not subject to an excessive deficit procedure; (iii) well-anchored long-term interest rates, at 3.9% (below the reference threshold of 5.1%); and (iv) virtually zero volatility in the lev's exchange rate within the European Exchange Rate Mechanism II, which defines the accepted currency fluctuation band around a central rate.

Bulgaria also meets the legal criteria for entry, such as central bank independence from the government, particularly following the reforms that were introduced in 2024. According to the Central Bank Independence Index (Romelli, 2024), the *de jure* independence of the Bulgarian central bank has been reinforced since the 1990s and is gradually approaching the average level observed in other euro area countries.

Adopting the euro will help to further strengthen convergence between the Bulgarian economy and the euro area. The elimination of exchange rate risk by lowering transaction and financing costs will encourage trade, tourism and investment. Bulgaria's integration into the Eurosystem and the Banking Union – necessitating closer direct ECB supervision of Bulgaria's main banks – and the adoption of the single monetary policy will also guarantee stability that will enhance the country's attractiveness and reduce risk premiums. As an illustration, the last country to join the euro area, Croatia, in 2023 (Faubert and Le Gallo, 2022), had its sovereign ratings upgraded and it has since enjoyed lower public and private borrowing costs (Georgieva, 2025). Equally, the inflationary effects of the changeover to the euro were also limited and temporary in Croatia (Lagarde, 2025).

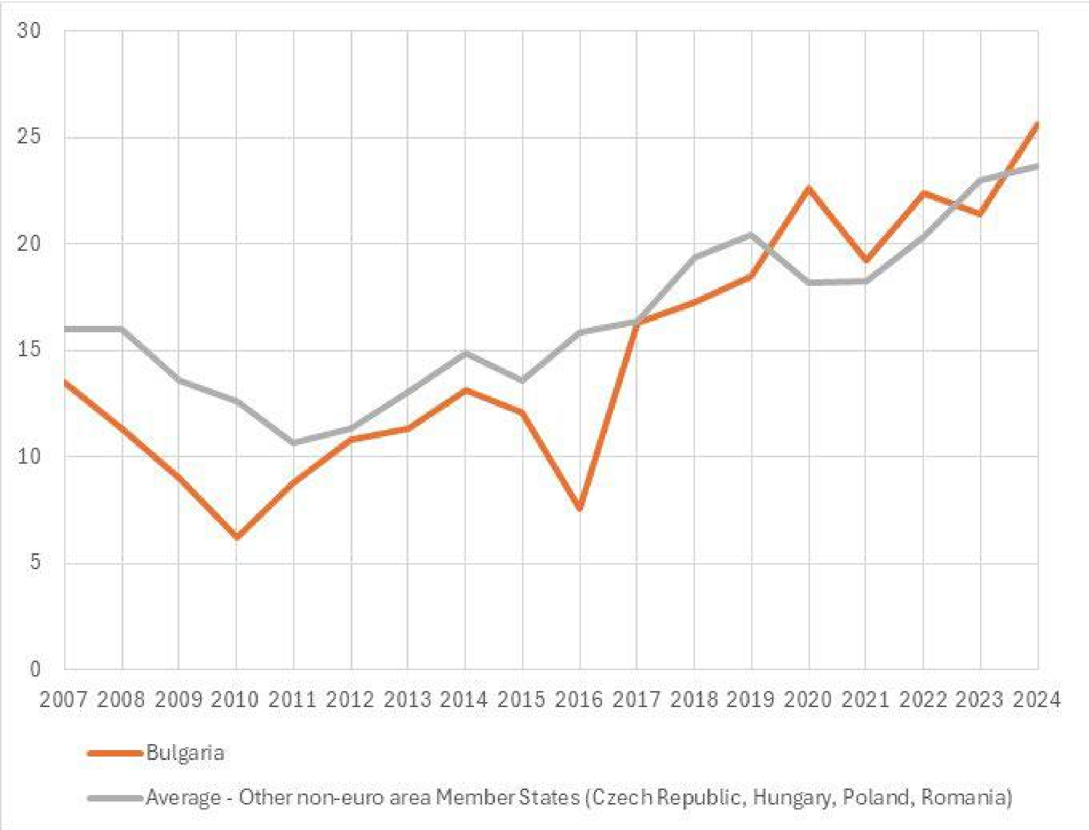
The Bulgarian economy and the euro area already share close ties

The euro area is currently Bulgaria's most important trading partner (Chart 1). In 2024, 45% of Bulgarian goods and services exports went to the euro area, while the euro area accounted for more than 40% of Bulgaria's imports. Bulgaria's foreign trade mainly consists of exports of low value-added, labour-intensive goods (such as agricultural products and textiles), but the country is gradually shifting towards more technology-intensive products (Magistretti and Vassileva, 2024). Bulgaria's main trading partner is Germany, which accounted for 14% and 11%, respectively, of Bulgaria's exports and imports of goods and services in 2024, followed by Romania, Turkey and Italy. It recently severed its ties with the Russian economy by halting its hydrocarbon imports: imports of goods and services from Russia accounted for 14% of total in 2014, but were virtually zero in 2024. Bulgaria runs a trade surplus in services vis-à-vis the euro area.

In terms of financial flows, 64% of Bulgaria's stock of foreign direct investment (FDI) was located in the euro area in 2024, while 76% of the stock of FDI in Bulgaria came from the euro area, and particularly from the Netherlands, at the end of 2023.

The euro's widespread use in Bulgaria even prior to its official entry is a clear sign of its financial proximity to the euro area: 70% of public debt was denominated in euro at the end of 2024; and at the beginning of 2025, 20% of Bulgarian loans – mainly to businesses – were already euro-denominated, making the euro the most widely used foreign currency for credit transactions. And the euro is the main invoicing currency for manufactured goods for import and export, a trend that was reinforced by the decline in US dollar use. The extensive circulation of euro banknotes and coins in the country also makes Bulgaria an already highly “euroised” economy, with the proportion of households hoarding euro, mainly as a store of value, increasing from 7.6% in 2016 to 25.6% in 2024 (Chart 2).

Chart 2: Share of the population hoarding euro cash in Bulgaria and in non-euro area EU countries (%)



Source: Updated survey by the Oesterreichische Nationalbank (OeNB – Austrian National Bank) – see Scheiber and Stix, 2009, for methodological details; authors' calculations.

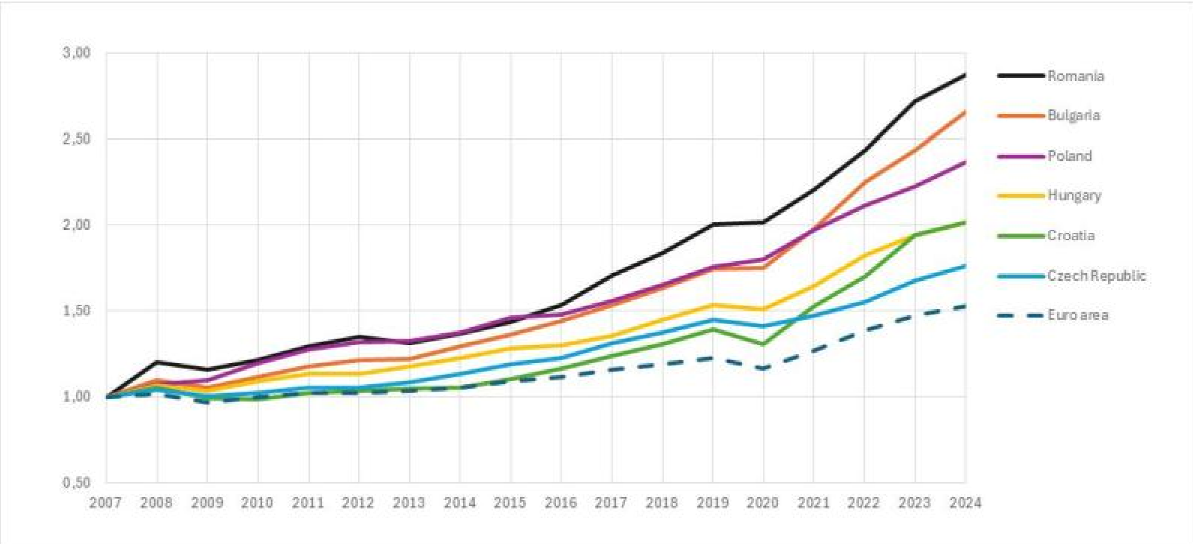
Key: In 2024, 25.6% of the Bulgarian population reported holding cash reserves of at least 1 EUR.

Institutional and structural challenges to an acceleration of its economic catch-up remain

While Bulgaria's entry into the euro area is the culmination of a long process of convergence, a number of challenges remain. Anti-money laundering and counter-terrorist financing measures need to be stepped up for example, even if Bulgaria has already taken steps to improve its compliance with international guidelines (Moneyval, 2025). Furthermore, although progress has been made in combating corruption, the reforms undertaken have not yet been fully implemented.

Lastly, Bulgaria's GDP amounts to EUR 103.7 billion at current prices, or 0.7% of the EU's GDP, and continues to be one of the poorest countries in the EU, with the lowest GDP per capita in Europe. However, since joining the EU it has made significant progress (Chart 3), reaching 66% of the European average in 2024 in terms of purchasing power parity, up from 40% in 2007. This improvement is largely down to the significant support for investment and structural reforms in the country received from the EU. In addition to the EUR 10.7 billion that Bulgaria will receive over the 2021-27 period under the cohesion policy, Bulgaria should also receive EUR 5.7 billion in grants under the European NextGenerationEU (NGEU) programme established to help Member States recover from the Covid-19 pandemic. These two instruments together represent 15.8% of Bulgaria's GDP for 2024. However, the disbursement of European funds is hampered to a certain degree, particularly by political instability, weak administrative absorption capacities and relatively inefficient public procurement. As of 1 December 2025, Bulgaria had disbursed only 32% of its allocated NGEU grant. Fully rolling out the NGEU programme is thus particularly necessary as it generates long-term economic effects and helps to accelerate the implementation of structural measures (Bańkowski et al., 2024). More generally, increased public investment that is more effectively used could generate significant growth gains for Bulgaria (IMF, 2025).

Chart 3: GDP per capita since 2007 (current prices, purchasing power parity, 2007=1)



Source: Eurostat; authors' calculations.

Key: Bulgaria joined the EU in 2007. Bulgaria's GDP per capita (PPP) in 2024 is 166% greater than in 2007 (from 1 to 2.66 on the chart), compared with 53% for the euro area.