



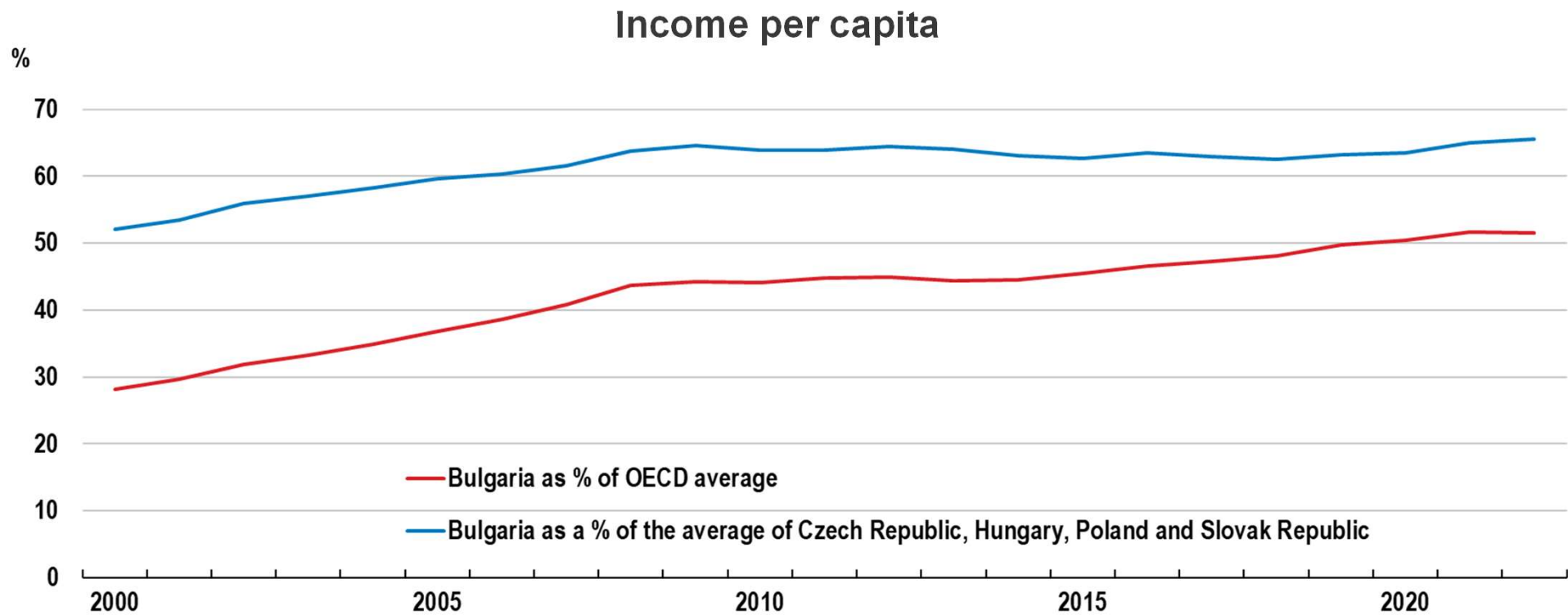
# OECD ECONOMIC SURVEY OF BULGARIA

Stepping up convergence

Sofia 4 April 2023



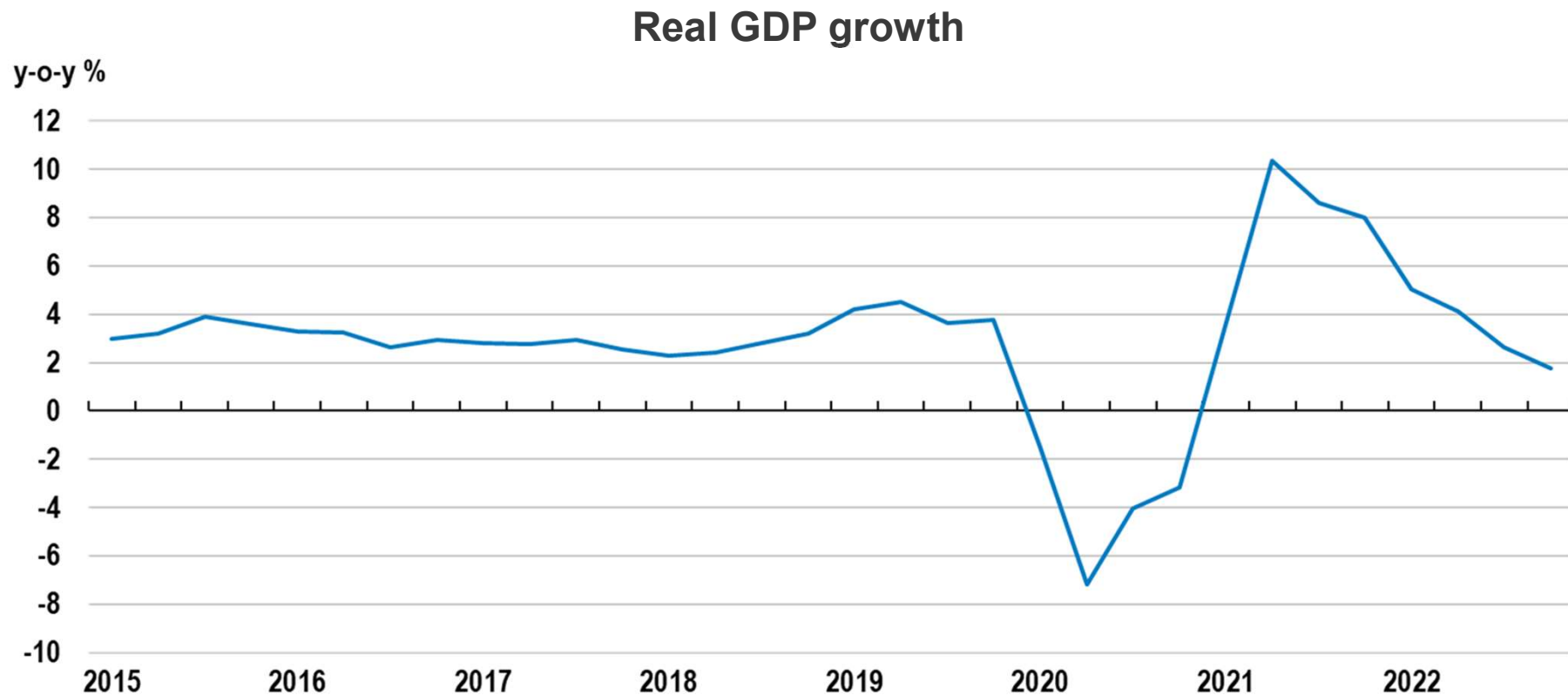
# The Bulgarian economy has been converging to OECD countries



Source: OECD Economic Outlook database.



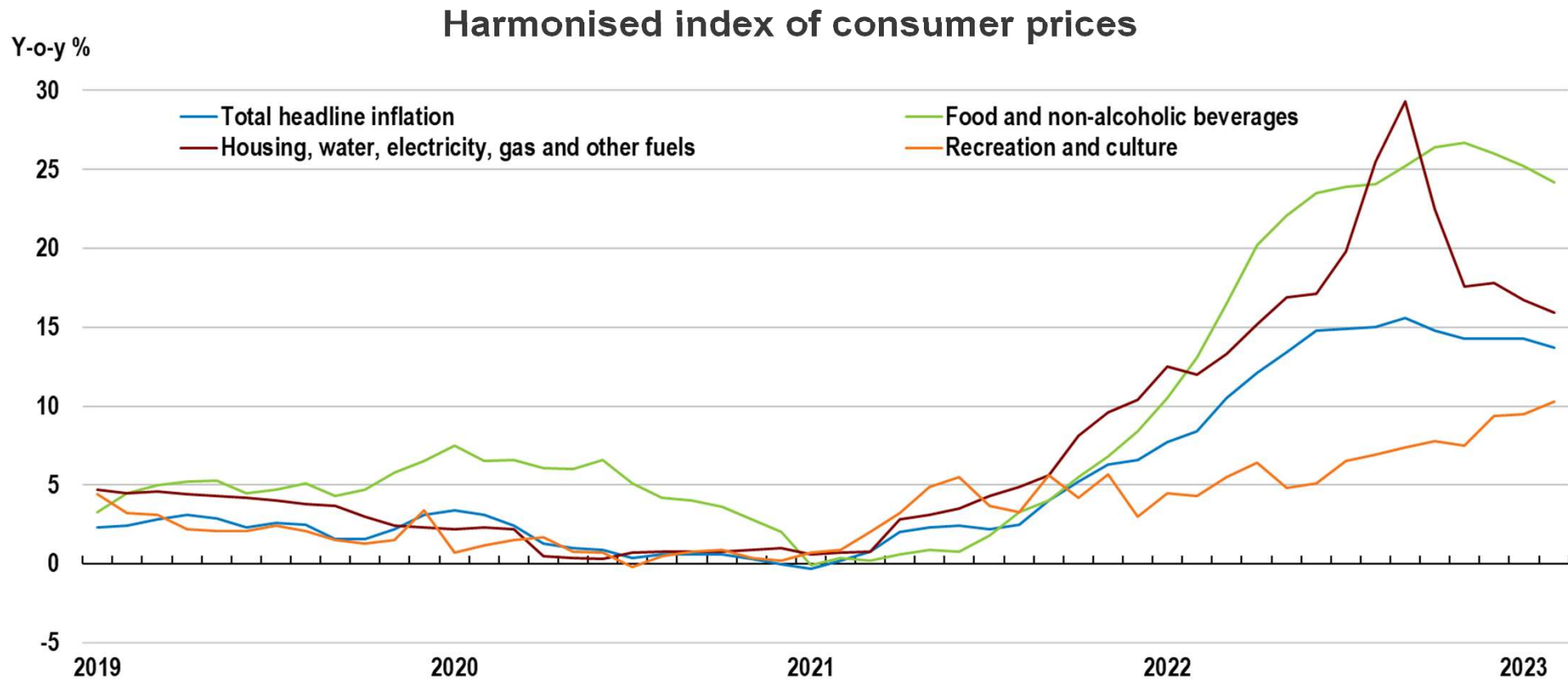
## Bulgaria's robust recovery has been interrupted by the global energy crisis



Source: OECD Economic Outlook database.



# Headline inflation appears to have peaked but remains high

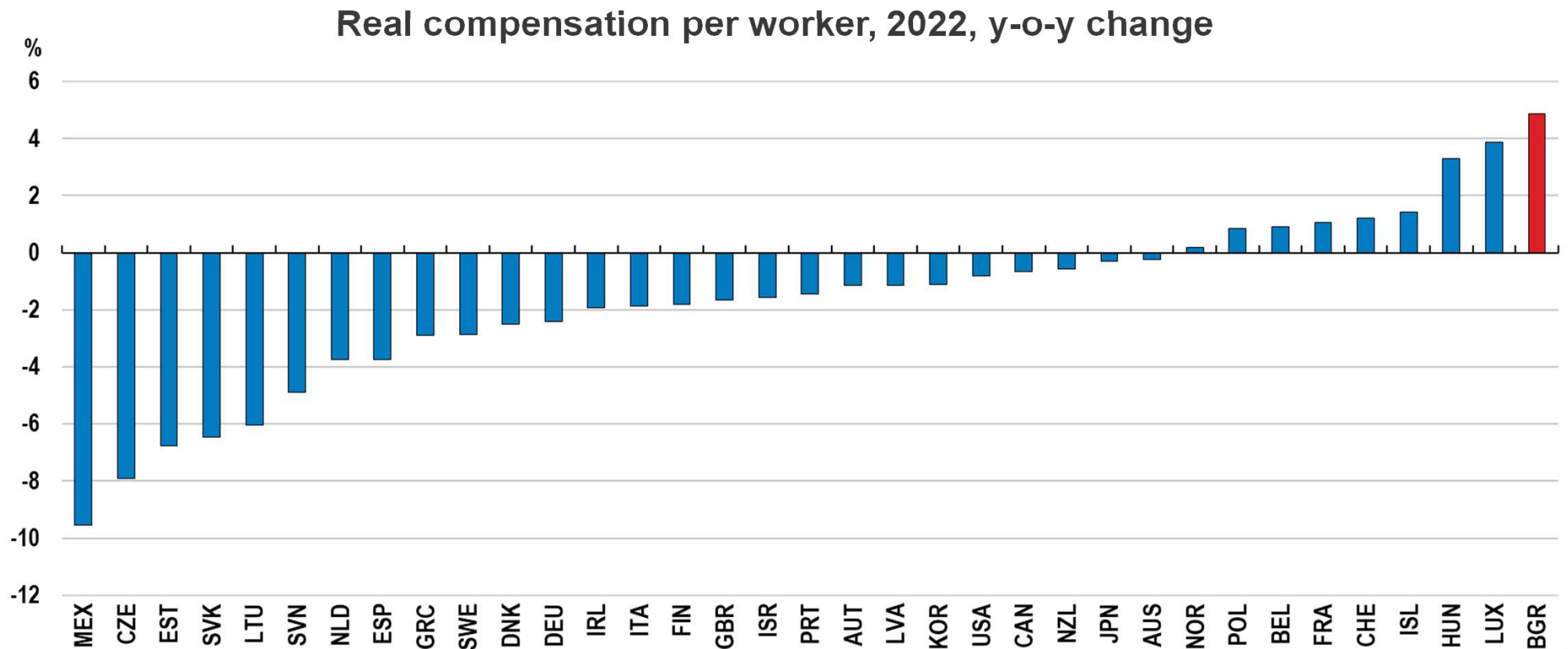


Source: National Statistical Institute.





## Real compensation has continued to grow



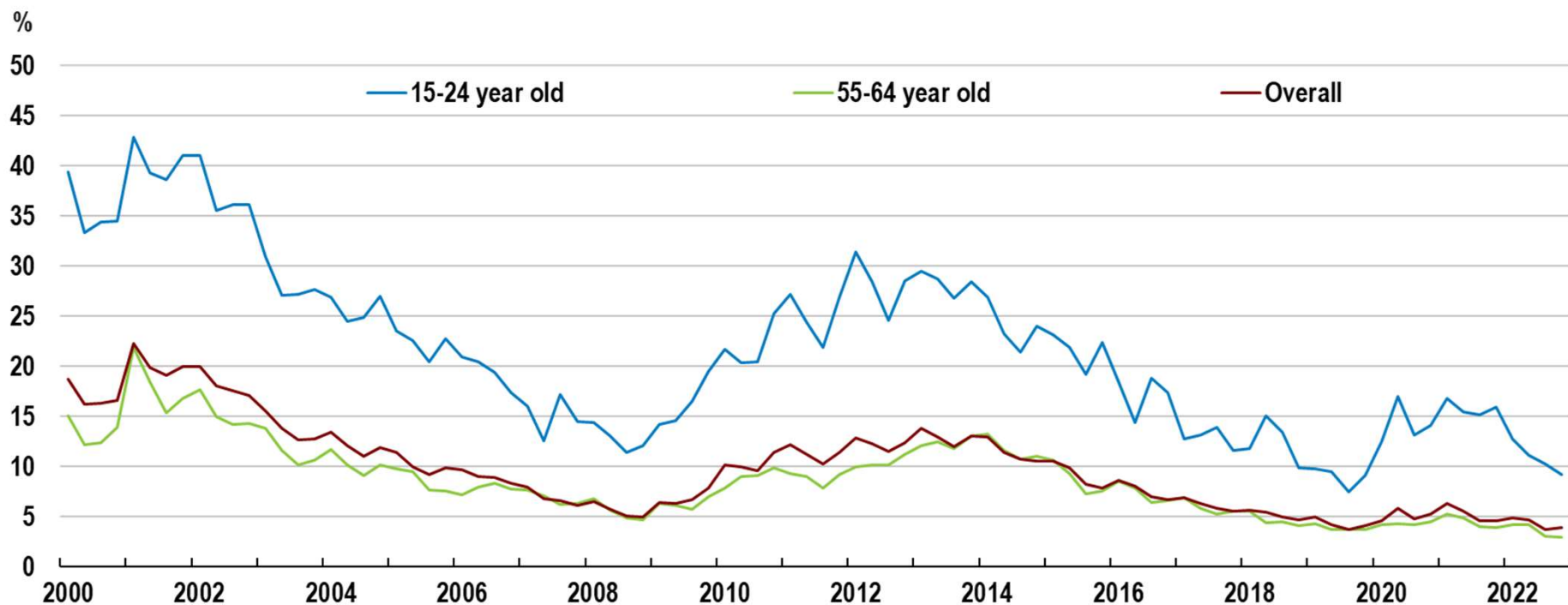
Note: Compensation per employee, total economy, deflated using the personal consumption expenditure deflator.

Source: OECD calculations based on the OECD Economic Outlook database.



# Unemployment is low overall, but higher for young people

Unemployment rate



Source: OECD Economic Outlook database and Eurostat.



# After slowing this year, the economy will rebound in 2024

## Economic projections

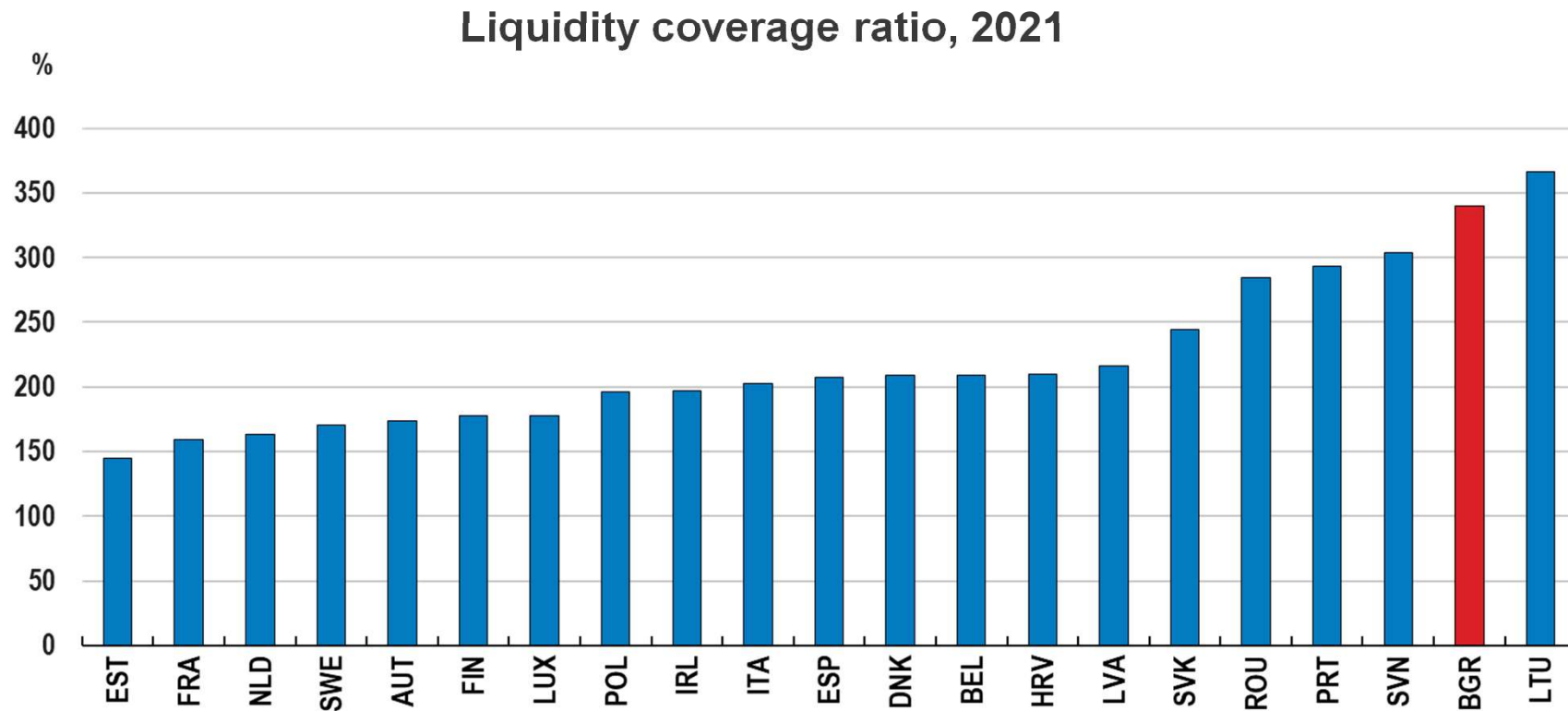
	2022	2023	2024
Real GDP growth (%)	3.4	1.9	3.2
Unemployment rate (%)	4.3	4.5	4.2
Annual CPI inflation* (%)	15.3	8.2	4.4
Fiscal balance* (% of GDP)	-2.9	-3.0	-3.0

Source: OECD projections based on the OECD Economic Outlook database.

- Annual CPI inflation refers to the domestic index.
- Fiscal balance projections for 2023 and 2024 based on figures in the draft 2023 Budget as announced by the Ministry of Finance.



## The banking system is liquid and stable but close monitoring is warranted



Source: European Central Bank.





# Major medium- to long-term challenges

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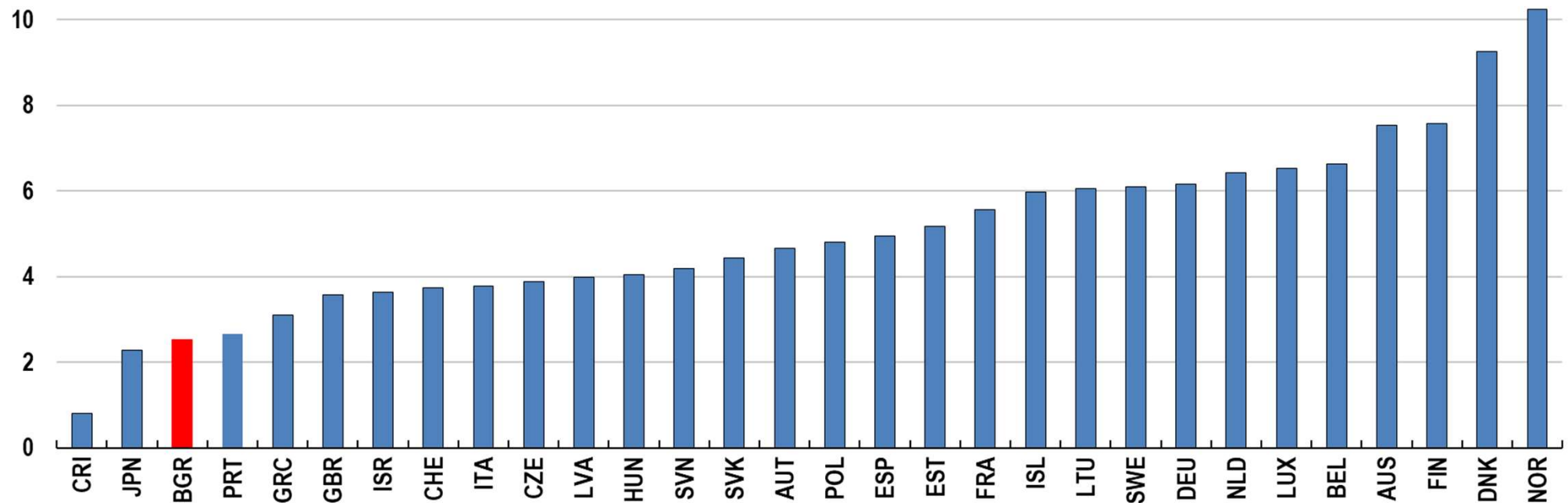
## 1. Meeting long-term spending needs



## Social spending, notably to prevent poverty and support labour market integration, should increase

Unemployment and social assistance benefits, 2019

% of GDP



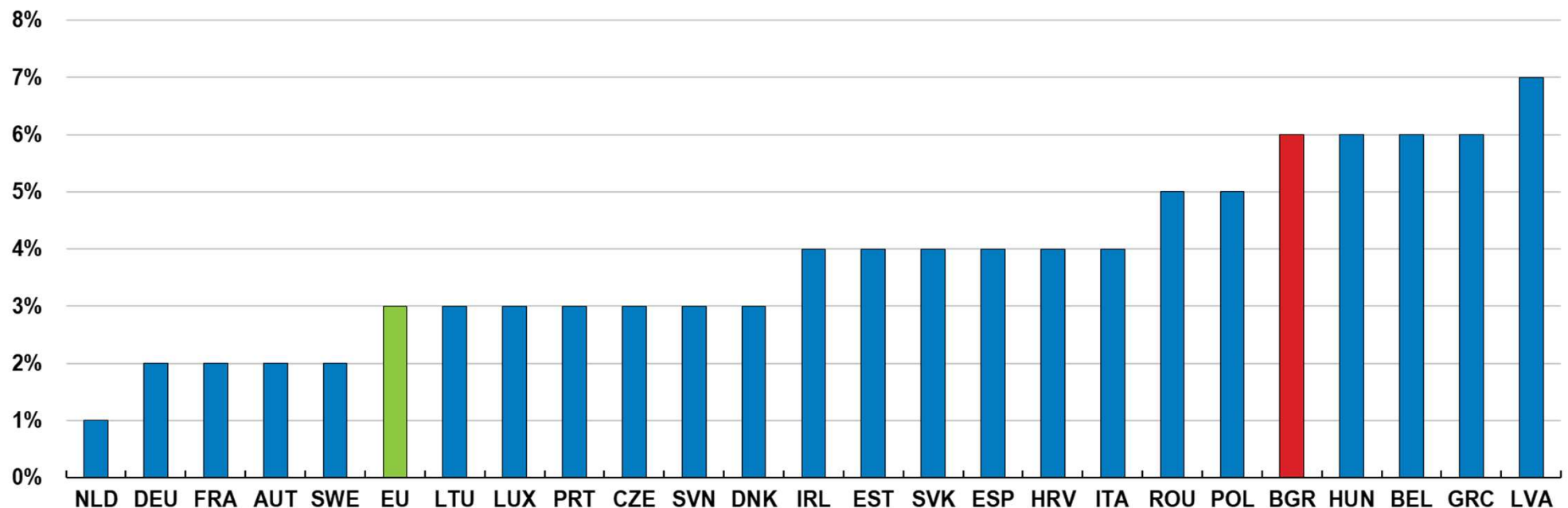
Source: OECD Public Finance database.



# Informal work should be reined in to put public finances on a sustainable footing

Share of respondents answering 'yes' to the question

*Has your employer paid you any of your income in the last 12 months in cash and without declaring it to tax or social security authorities?*

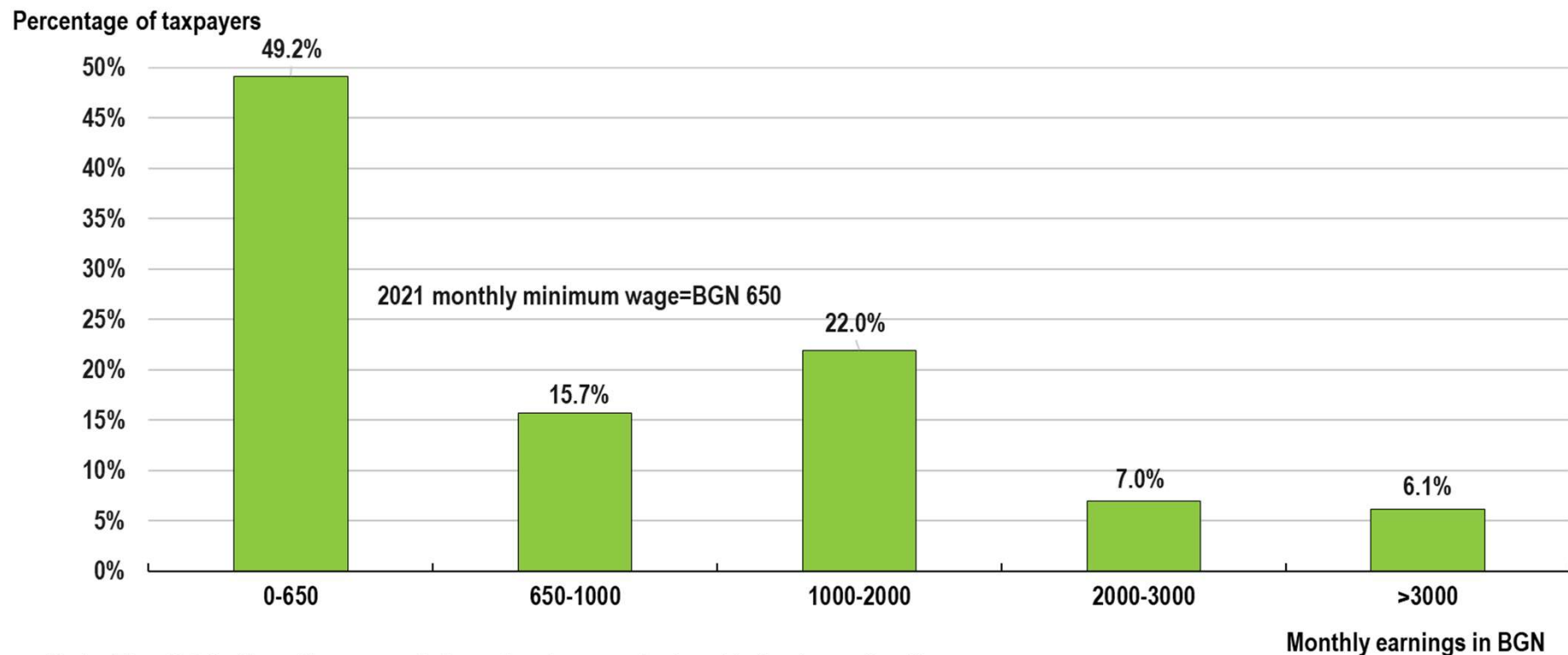


Source: Eurobarometer 2019.



## Half of all taxpayers are registered at the minimum wage

### Share of taxpayers by monthly income levels

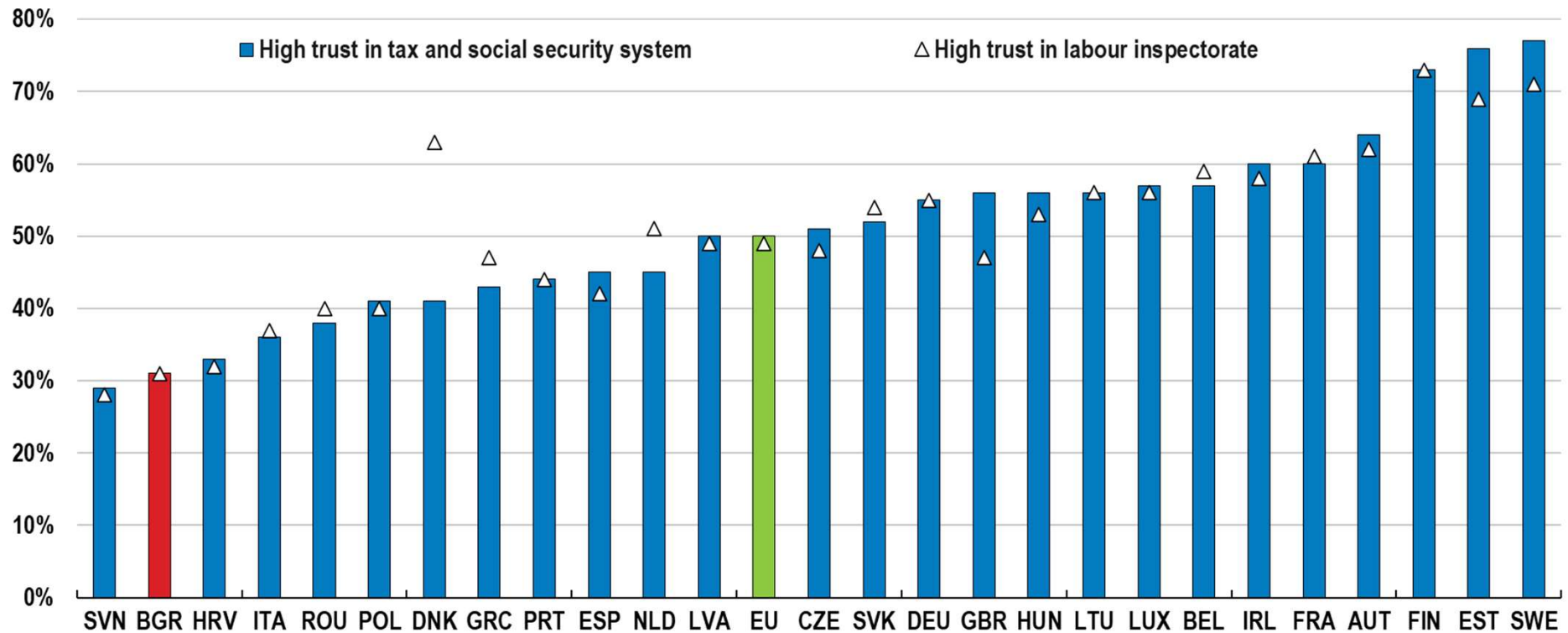


*Note: The distribution of taxpayers is based on income declared to the tax authorities.  
Source: National Revenue Agency.*



# Trust in public authorities could be improved

Respondents with high trust in respective authorities, 2019

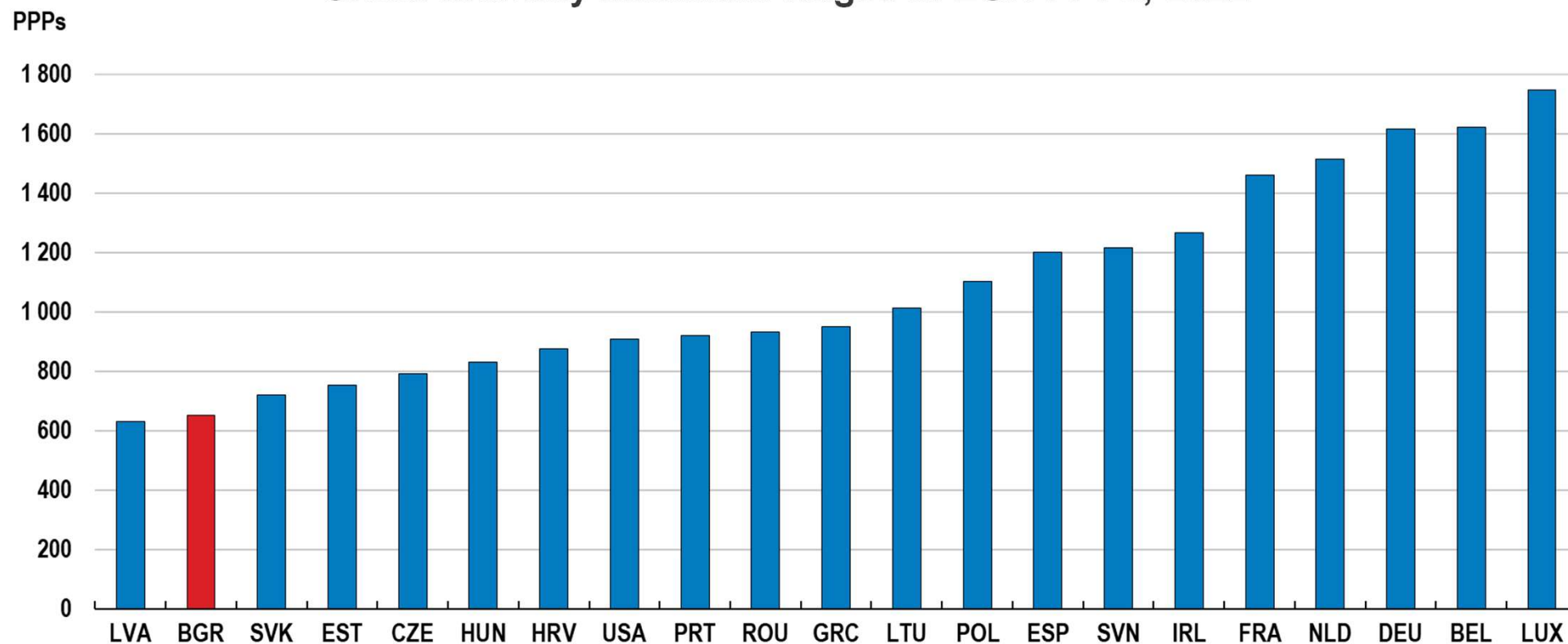


Source: Eurobarometer 2019.



## The minimum wage is low, but increases need to account for productivity

Gross monthly minimum wages in EUR PPPs, 2022



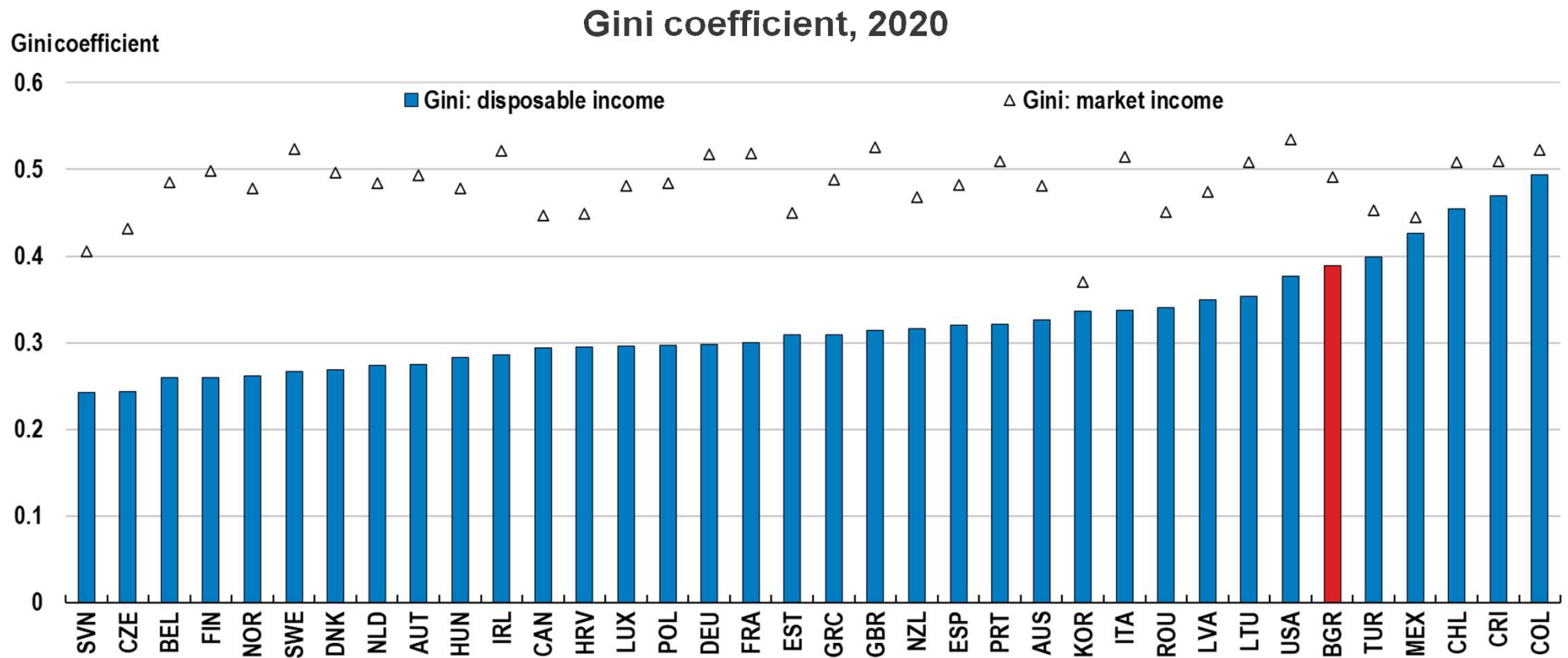
*Note: For Bulgaria, minimum wages in nominal terms would be about 10% higher in 2023.*

*Source: Eurostat.*





# Market income inequalities remain high after taxes and transfers



Source: Standardized World Income Inequality Database v9.4.



# Major medium- to long-term challenges

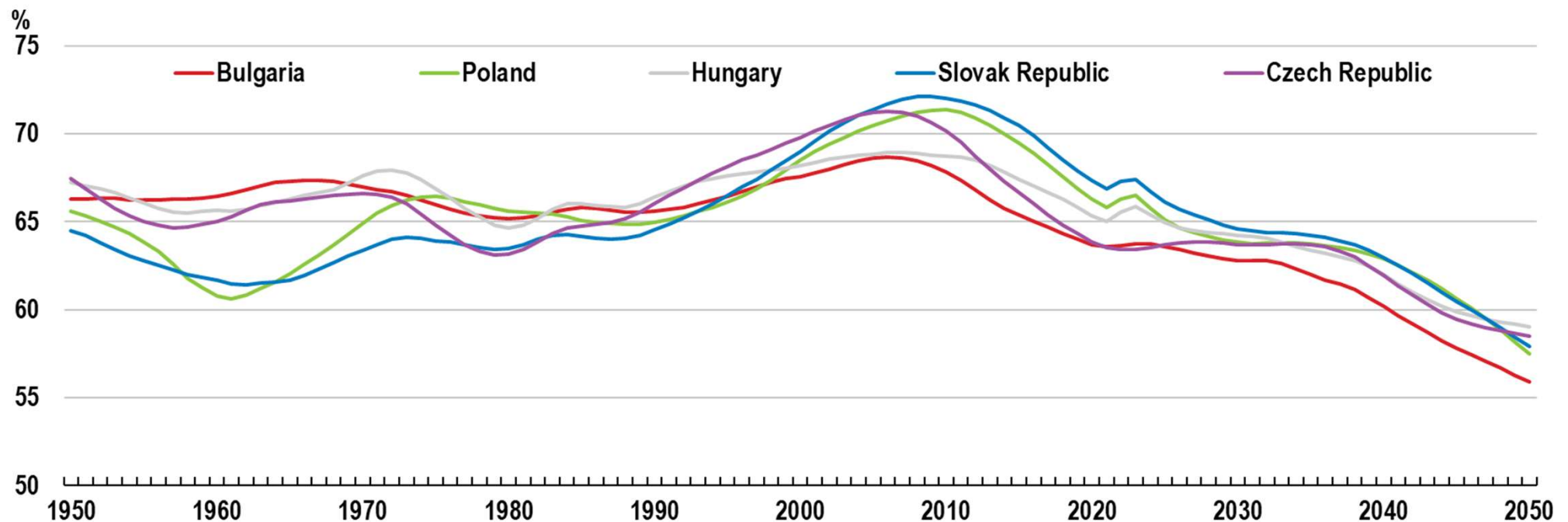
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## 2. Demographic challenges



## The working-age population is shrinking

Share of population aged 15-64 to the total

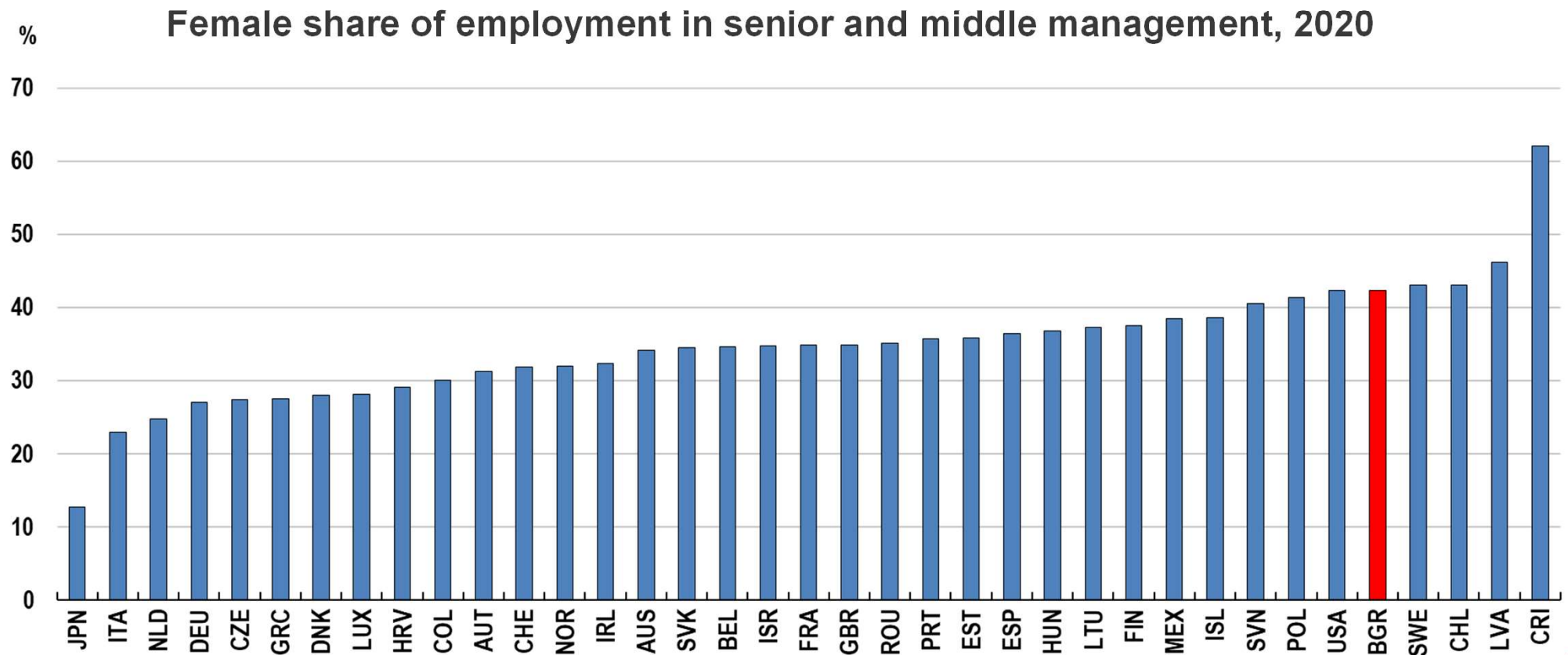


*Note: The method is based on the medium fertility variant. This takes into account the past experience of each country, while also reflecting uncertainty about future changes based on the past experience of other countries under similar conditions.*

*Source: United Nations World Population Prospects 2022.*



## A high share of women are in management positions

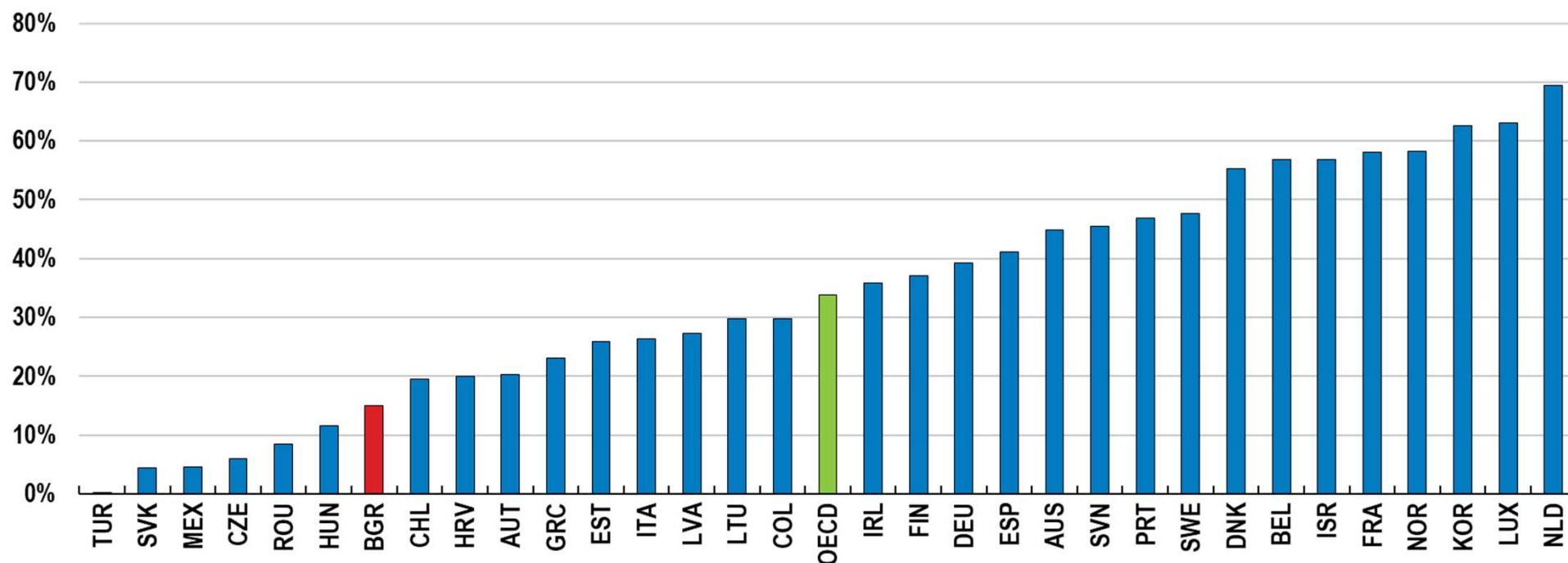


Source: World Bank World Development Indicators database.



## Quality childcare should become available country-wide

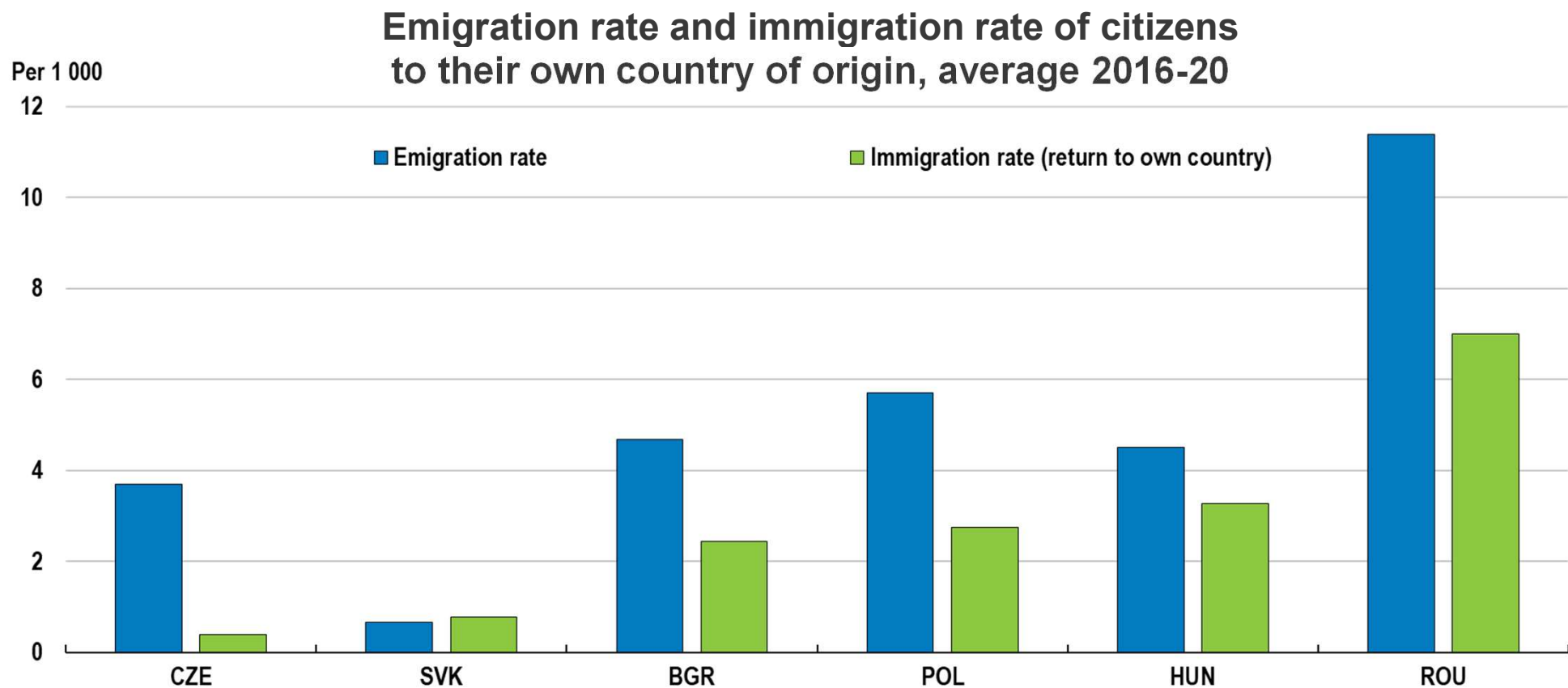
Proportion of children aged 0-2 years enrolled in formal childcare, 2020



Source: OECD Family Database.



## Net emigration needs to be contained



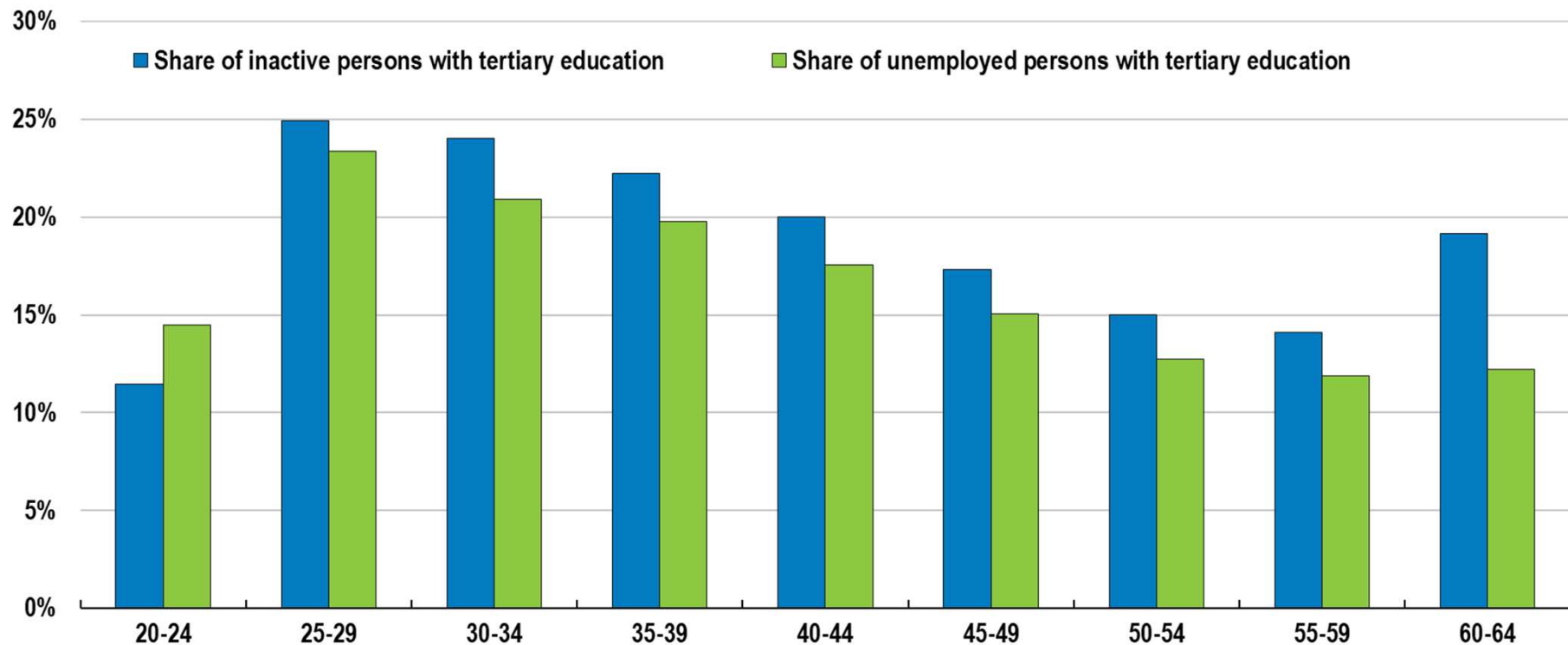
Source: Eurostat.





# Many young and educated people could be brought into work

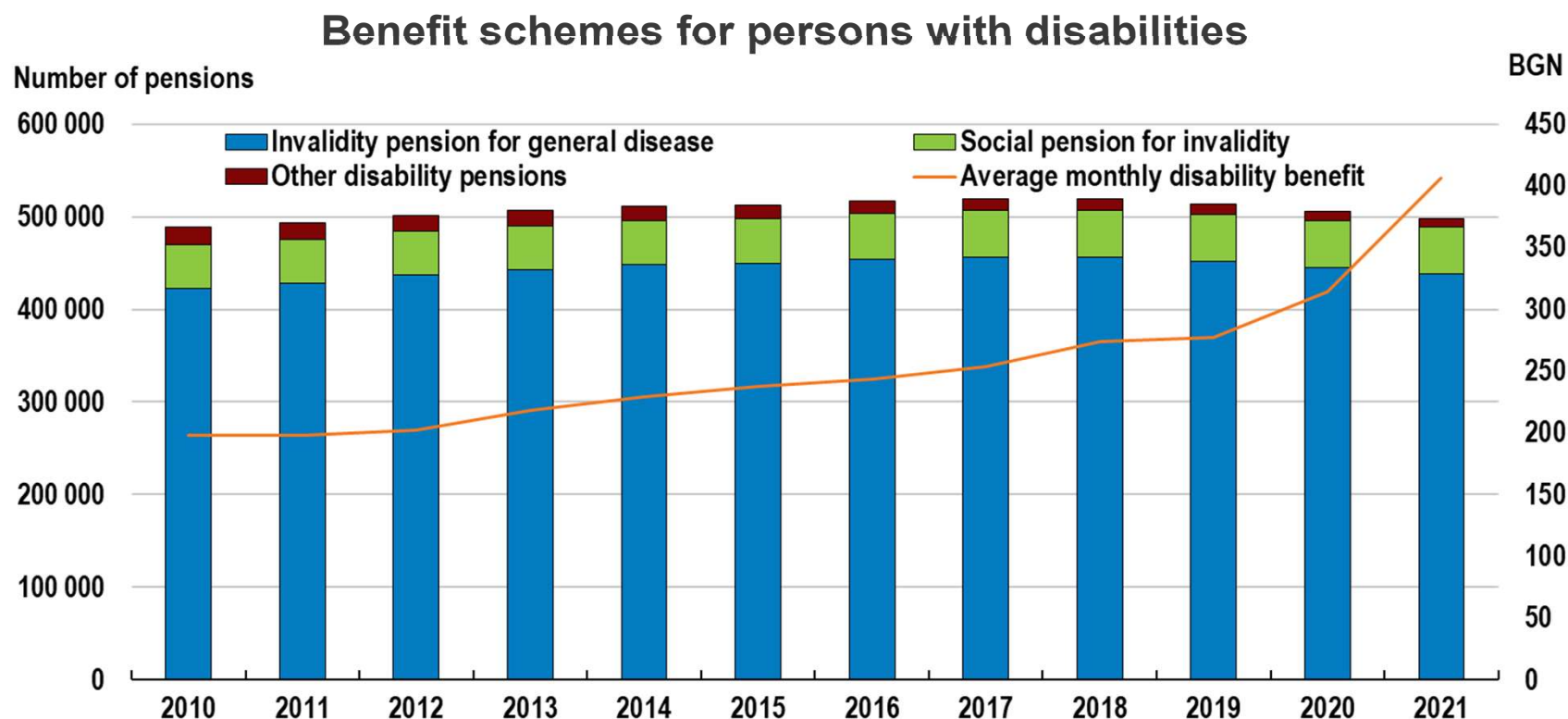
Tertiary graduate shares by age group and by labour market status, 2021



Source: OECD calculations based on the National Statistical Institute 2021 Population Census.



## Some of the people on disability benefits should be reintegrated into labour market



*Note: The "other" category comprises all disability benefit types not included in the other two categories. Average monthly benefit is in nominal terms.  
Source: Ministry of Labour and Social Affairs of Bulgaria.*



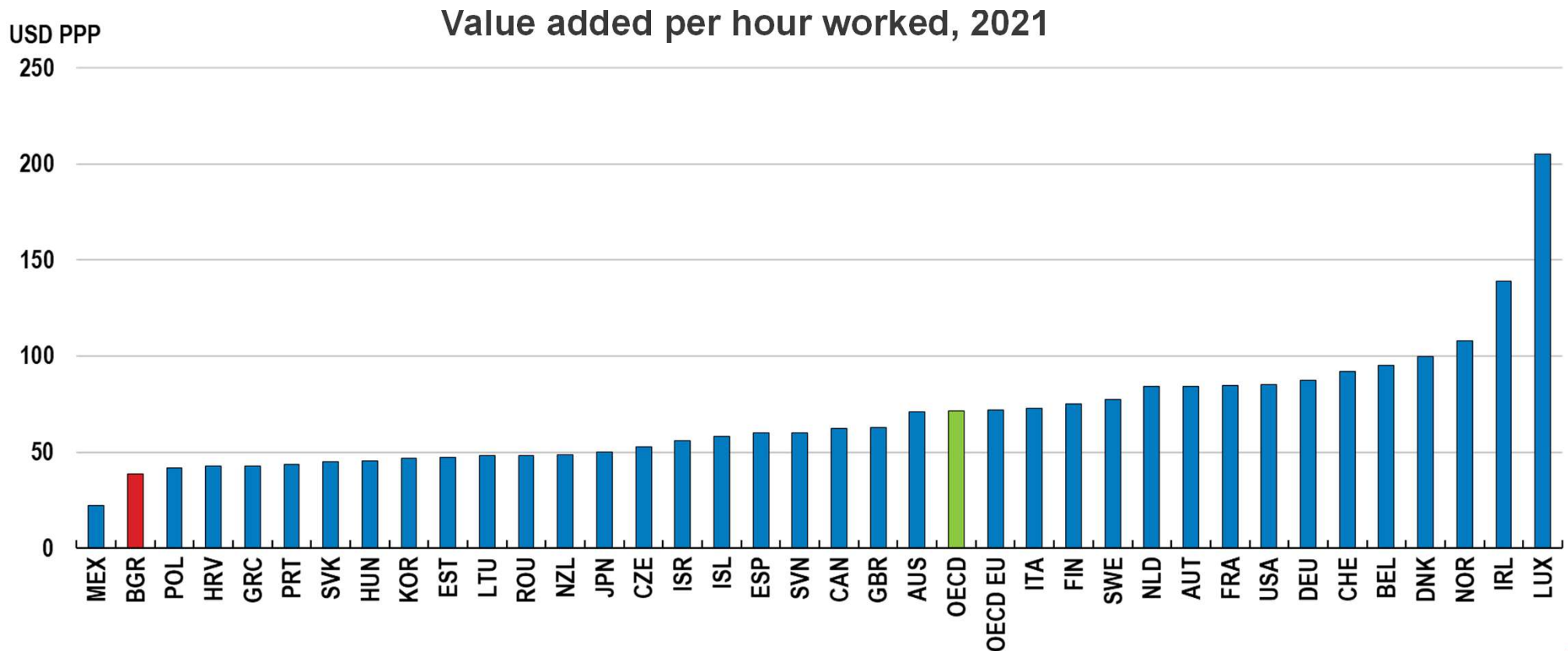
## Major medium- to long-term challenges

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### 3. Boosting productivity



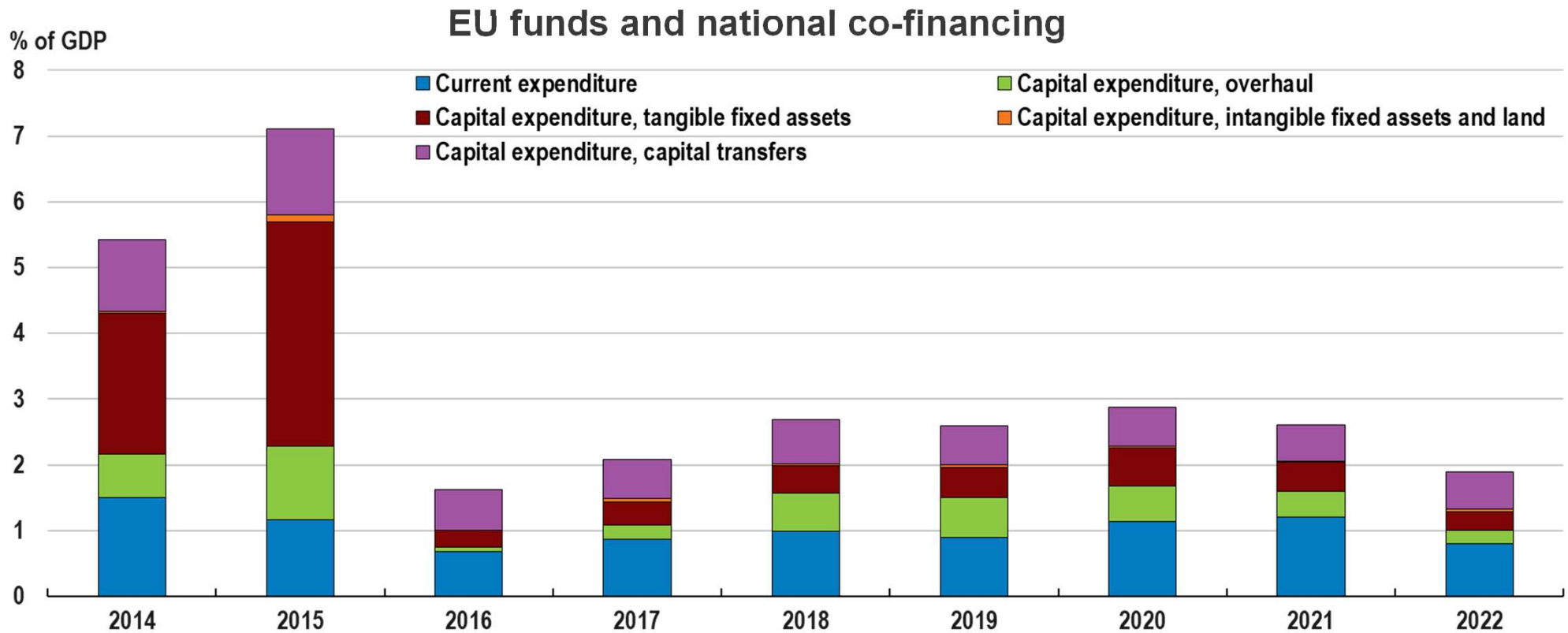
# An ambitious agenda of policy reforms would lift productivity growth



Source: OECD Economic Outlook database.



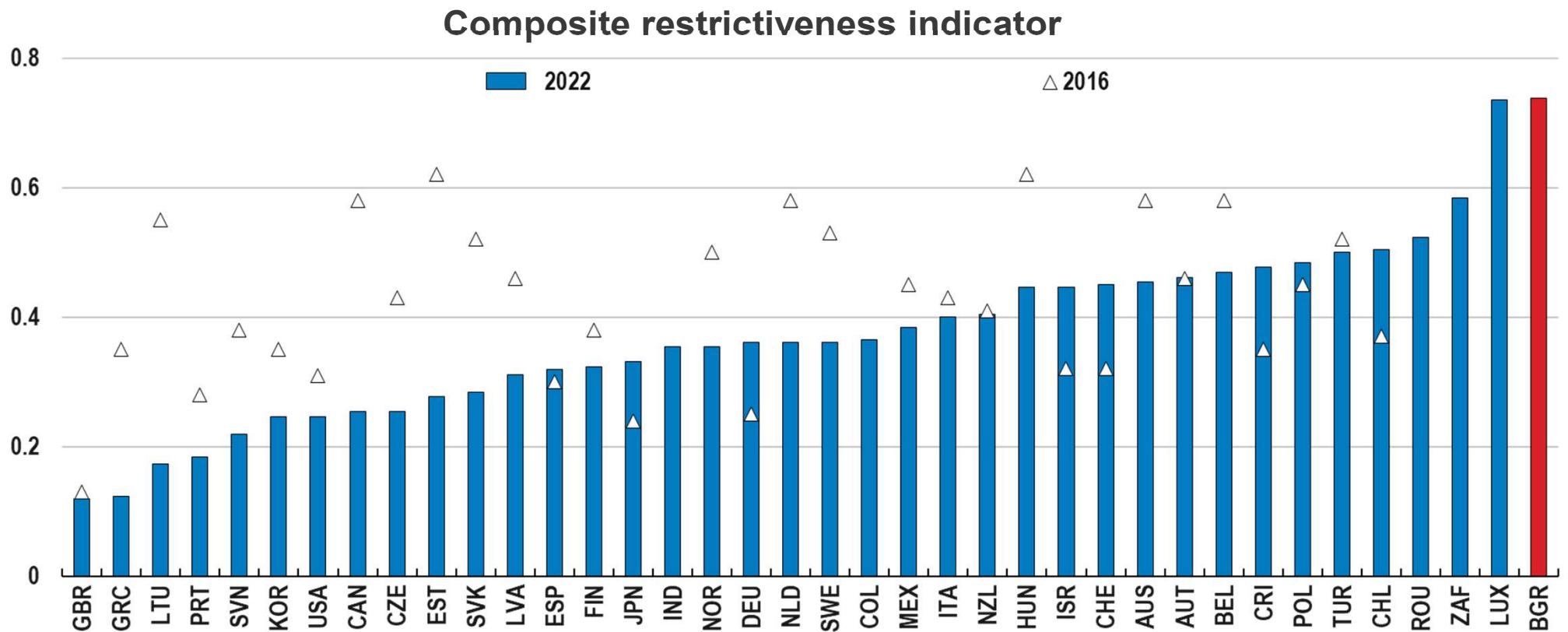
## The use of EU funds should be accelerated



Source: Ministry of Finance.



# The insolvency regime needs to be simplified



Note: Indicator composed of 13 sub-indicators, indicator values varying between 0 and 1, with higher values indicating greater restrictiveness.

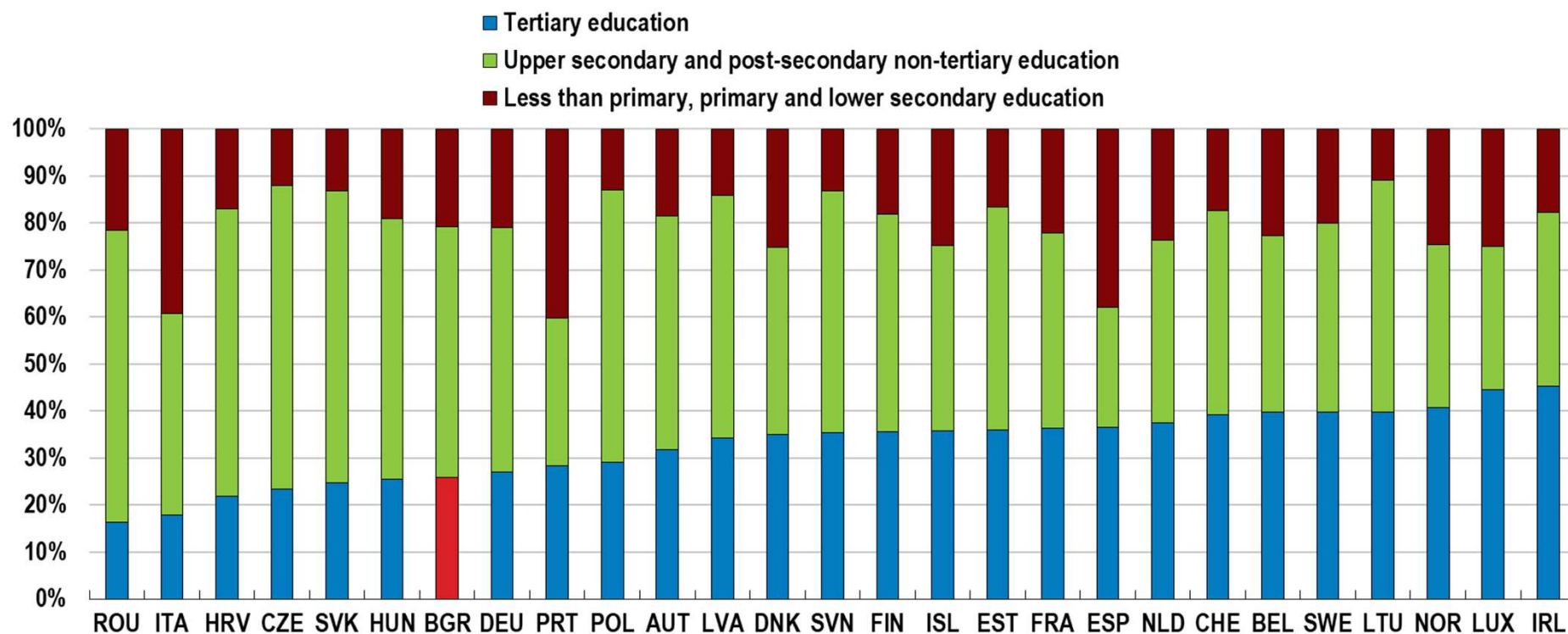
Source: OECD Insolvency Indicators database.





# Most people of working age are secondary school graduates

Highest educational attainment of 15-64 year olds, 2021

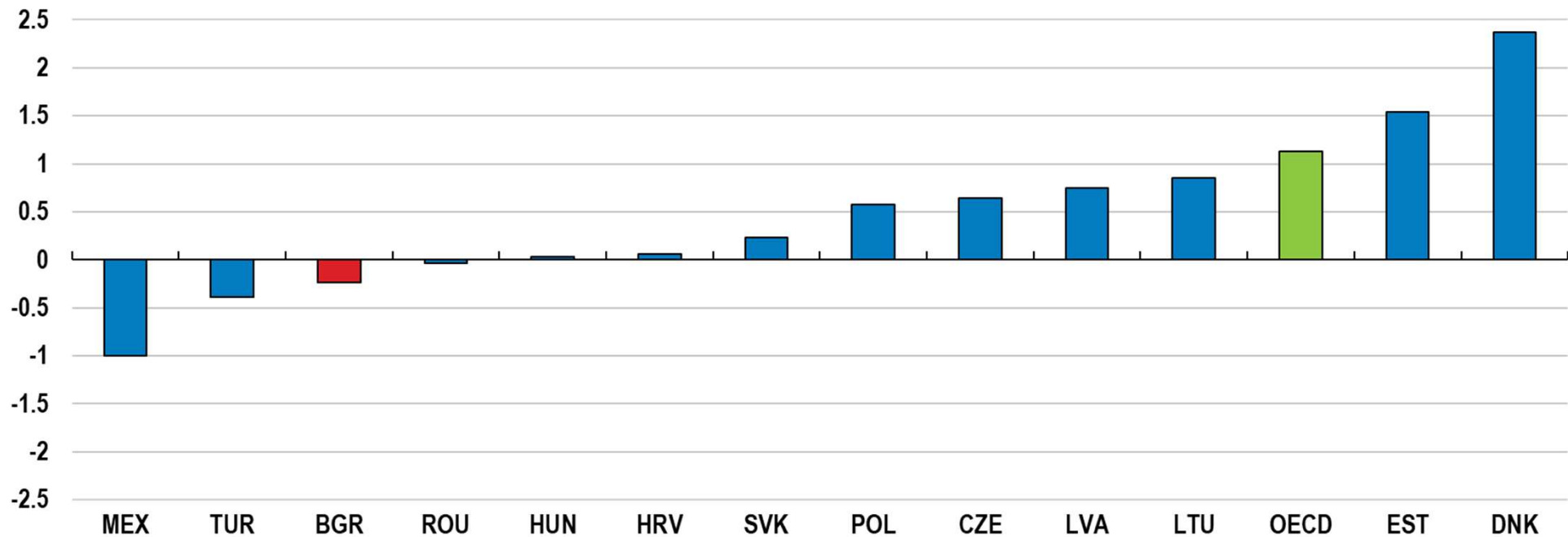


Source: Eurostat.



## Corruption is perceived as high and needs to be addressed further

Control of corruption  
Scale: -2.5 (worst) to 2.5 (best), 2021



*Note: Countries from the region and with similar income levels were selected as well as a well-performing country (Denmark).*

*Source: Transparency International.*



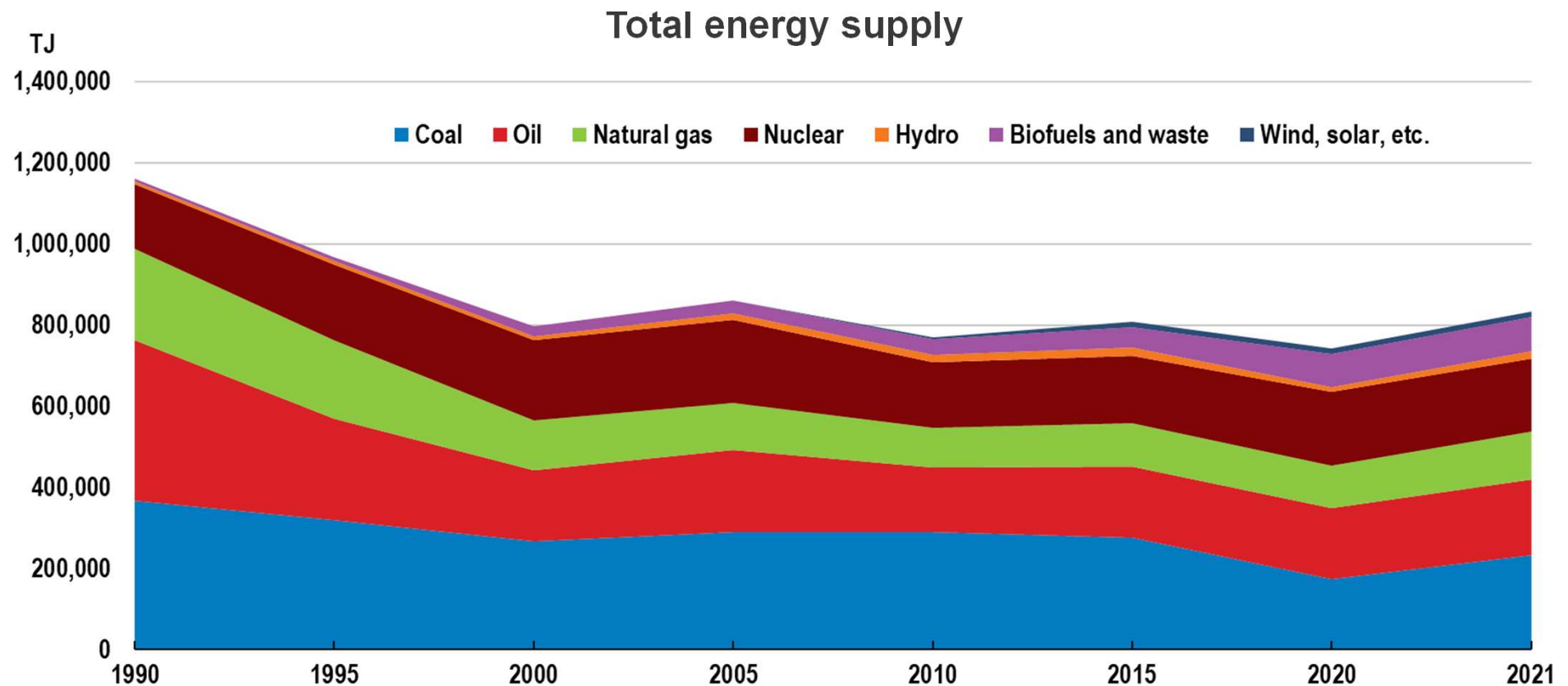
## Major medium- to long-term challenges

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### 4. Accelerating the green transition



## The reliance on fossil fuels could be reduced further



Source: IEA World Energy Balances <https://www.iea.org/data-and-statistics/data-product/world-energy-statistics-and-balances> and OECD Green Indicators database.



## For more information



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