Christine Lagarde: Bulgaria on the euro's doorstep - towards a shared future

Speech by Ms Christine Lagarde, President of the European Central Bank, at the high-level conference on "Bulgaria on the doorstep of the Eurozone", jointly organised by the Bulgarian Ministry of Finance and the Bulgarian National Bank, Sofia, 4 November 2025.

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On 1 January 2026 Bulgaria will adopt the euro as its currency. The change will happen in a single night, but it is the outcome of a much longer journey.

Bulgaria has long been part of Europe's monetary story.

From the lev's peg to the French franc in the late 19th century to its anchor to the Deutsche Mark in the late 20th century, the country has always looked towards Europe whenever it has had the freedom to choose its destiny.

Now, with the adoption of the euro, Bulgaria is taking the final step towards – and its rightful place at the heart of – Europe's monetary union.

Yet every historic step brings questions, and sometimes fears.

Paìsiy Hilendàrski – soon to grace Bulgaria's €2 coin – once urged "Bulgarian, do not forget yourself; know your kin and language."

Some naturally worry that adopting the euro might mean giving up a part of that hard-won independence.

But Bulgaria's motto – "United we stand strong" – is engraved not only on its coat of arms, but also in its very spirit.

By joining the euro area, Bulgaria is not losing itself. It is reaffirming that it is proud, sovereign and European.

The benefits of the euro for Bulgaria

Adopting the euro brings two key benefits for Bulgaria: prosperity and security.

First, prosperity.

Bulgaria's journey to the heart of Europe has already delivered remarkable gains. Over the past decade, GDP per capita has risen from one-third of the euro area average to almost two-thirds today.

This success has been built on deep integration into the European economy – and even more so, into the euro area economy. Today, 65% of Bulgaria's exports go to other EU countries, and 45% go to euro area countries.

Under its currency board, Bulgaria has already enjoyed much of the exchange rate stability that euro area membership provides. But adopting the euro will take this integration one step further by removing the last currency barriers within the Single Market.

For Bulgarian firms, that means zero conversion costs when exporting to their primary European customers. Small and medium-sized enterprises will save around one billion levs every year in conversion costs alone.[1]

Take Bulgaria's automotive industry, which supplies around 80% of electronic components used in European vehicles.[2] Instead of spending time and money on currency conversion, these companies can reinvest in growth.

Adopting the euro will also open the door wider to European capital markets. It will lower funding costs and provide a more stable basis for long-term investment.

These advantages are already visible in Bulgaria's improved credit ratings and narrower sovereign spreads, which will translate into lower borrowing costs for everyone.

With these foundations, Bulgarian firms can continue to invest, innovate and move up the value chain – as they have done so impressively already.

The second benefit is security.

We are living in a far more volatile world, marked by constant external shocks. For a small and open economy like Bulgaria, where nearly one in every two jobs depends on foreign demand, that exposure can be particularly acute.[3]

The currency board has long insulated Bulgaria by eliminating euro-lev fluctuations. While it is a strong shield, such protection cannot be assumed to be watertight.

History shows that fixed exchange rate regimes are vulnerable under stress: the currency "snake" of the 1970s and, later, the European Monetary System were repeatedly realigned amid speculative pressures.

In this environment, the institutional credibility of euro area membership is the strongest safeguard. It provides complete protection against exchange rate volatility with Bulgaria's main trading partners in Europe and it shields Bulgarian firms from sharp currency swings that can erode competitiveness globally.

As a large currency area with much deeper financial markets, the euro area is far less vulnerable to sudden shifts in global capital flows than smaller economies. To put it into perspective: turnover in the US dollar-euro market is around 20 times higher than in euro-franc or euro-yen markets. This scale brings lower volatility.[4]

At the same time, because the euro is the world's second most important currency, the euro area pays for more than half of its imports in its own currency. In Bulgaria's case, the share is even higher: around 83% of imports are invoiced in what will soon be its own currency. This cushions households and businesses from rising import prices when exchange rates move.

Finally, when global demand becomes less predictable, regional integration matters even more – and the single currency cements that integration. It prevents our internal market from being weakened by competitive devaluations.

During the great financial crisis, for instance, the euro depreciated by about 20% against the US dollar. But according to ECB staff analysis, some countries might have seen their currencies fall by up to 14% more if they had stood alone.

Such moves could have threatened the cohesion we have built. But thanks to the euro, Europe's Single Market remained solid and united.

In short, the euro strengthens Bulgaria's prosperity and reinforces Europe's collective security in an increasingly fragmented world.

Managing the challenges of adopting the euro

Despite these benefits, the decision to join the euro area has not been universally welcomed. Surveys show that around half of Bulgarians currently oppose introducing the euro, while a small share remain undecided.[5]

I take the concerns of the Bulgarian people very seriously – and I would like to address them clearly. Let me speak to two of the most pressing.

The first is the fear of losing sovereignty – the fear that national monetary policy will be subordinated to European decisions.

Given the lev's long history as a symbol of Bulgaria's independence, this feeling is entirely understandable. But joining the euro is not a loss of sovereignty – it is a gain.

For decades, Bulgaria has operated under a currency board. In practice, this has meant importing the monetary policy of larger economies, but with no seat at the table where those policy decisions are made.

That will now change. The Governor of the Bulgarian National Bank will sit on the ECB's Governing Council, with the same say, the same vote and the same responsibility as every other member.

Bulgaria will no longer passively follow others – it will help shape decisions in the world's third-largest economy.

At the same time, Bulgaria's economy has become deeply integrated into European supply chains. Its business cycle now moves closely in step with that of the euro area. When the euro area grows, Bulgaria grows; when it slows, Bulgaria slows.

In this context, a common monetary policy is not a restraint – it is a natural fit.

The second concern is that adopting the euro will lead to higher prices.

This concern is entirely legitimate. Currency changeovers can produce a temporary uptick in measured inflation, often when firms round up prices during conversion.

People may also *feel* that inflation has risen, even when official data do not show it. This perception often stems from the prices we notice most – those of everyday items such as food and basic services – which can rise faster than the overall price level.

But when strong safeguards are in place, the evidence is reassuring.

When authorities display prices in both currencies for a sufficiently long period of time, monitor actively and enforce penalties – as those in Bulgaria plan to do – the impact on consumer prices is modest and short-lived.

In earlier euro changeovers, the impact was between 0.2 and 0.4 percentage points. Even in Croatia – which joined the euro area at a time when inflation was already high – the changeover effect was about 0.4 percentage points, and it quickly faded.

Public perceptions show a repeating sequence. Before adoption, uncertainty is natural. But once households and firms begin using the new currency in their daily lives – and see that a credible central bank is safeguarding price stability – confidence grows.

In every country that has joined the euro area in the recent past, public support increased markedly within six months of the changeover. Today, support for the euro stands at 83% across the euro area.[6]

In fact, when we look back at previous waves of euro adoption, the greatest risk countries faced was not losing sovereignty or seeing an increase in prices. It was losing reform momentum once inside the euro area and thus missing out on the full benefits of the single currency.

But this lies entirely in Bulgaria's hands.

If the country continues to align its institutions with the highest European standards and helps its firms integrate even more deeply into EU value chains, the gains will keep growing.

During previous enlargement waves, EU countries that became more tightly integrated into cross-border production networks saw their GDP per person rise nearly 10 percentage points more than their less-integrated peers.[7]

Reform momentum in Bulgaria has already delivered impressive results. The task now is to lock in that progress to ensure that it doesn't fade as financing conditions improve and external pressures ease after adoption.

By doing so, Bulgaria can go beyond reaping the benefits of its current strengths – such as competitive labour and land costs – and move towards becoming a hub for higher-value, innovation-driven growth.

Conclusion

Let me conclude.

Vasil Levski, Bulgaria's most revered national hero, once said that "the people's cause stands above all."

The decision to adopt the euro embodies that cause. It bolsters Bulgaria's economic foundations, builds its resilience against global shocks and amplifies its voice in euro area decision-making, thereby strengthening its sovereignty.

Given Bulgaria's long-standing currency peg, the costs of forgoing an independent monetary policy are minimal, yet the gains are substantial: smoother trade, lower financing costs and more stable prices.

These advantages will particularly empower small and medium-sized enterprises as they expand within Europe's integrated economy.

But gains are never automatic.

By ensuring a transparent changeover and sustained reform momentum, Bulgaria can turn convergence into lasting competitiveness, and translate that into higher living standards for all Bulgarians.

In adopting the euro, Bulgaria is honouring Levski's vision. It shows that through unity and shared strength, the country stands not only *with* Europe, but *at the heart* of Europe.

Thank you.

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[1] Bulgarian Ministry of Finance and (Bulgarian NationalBank) (2025), "Minister Dilov: All Sectors Will Benefit from the Adoption of the Euro, and People's Purchasing Power Will Increase", 7 June.

[2] InvestBulgaria Agency, *Automotive industry*.

[3] Magistretti, G. and Vassileva, I. (2024), "Bulgaria in Global Value Chains: Leveraging Integration with the EU", *Selected Issues Papers*, Vol. 2024, No 23, International Monetary Fund, 24 June.

[4] Since 1999 the Swiss franc-US dollar rate has been about 2.6% more volatile than the euro-US dollar, and the yen-US dollar rate has been about 5.5% more volatile.

[5] European Commission (2025), "Introduction of the euro in the Member States that have not yet adopted the common currency – Spring 2025", *Eurobarometer*.

[6] European Commission (2025), "Eurobarometer shows record high trust in the EU, and strong support for the euro and a common defence and security policy", *press release*, 28 May.

[7] Beyer, R., Li, C.Y. and Weber, S. (2024), "The 2004 EU Enlargement Was a Success Story Built on Deep Reform Efforts", *IMF Blog*, International Monetary Fund, 3 December.