

Dimitar Radev: Bulgaria's membership of the euro area marks the beginning of a new phase

Statement by Mr Dimitar Radev, Governor of the Bulgarian National Bank, at the opening of The World Ahead 2026: Sofia Gala Dinner organised by The Economist Magazine, Sofia, 12 February 2026.

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Madam President,

Ladies and Gentlemen,

Distinguished guests,

Friends of *The Economist*,

I thank *The Economist* for the invitation. It is a pleasure to participate in a conversation taking place at a moment of important institutional significance for Bulgaria and for Europe.

Special thanks go to President Yotova for opening this event and for the framework she has set for today's discussion at a time of change for the country.

Allow me also to welcome Philip Lane, whose analytical work is among the key factors shaping the euro area's monetary framework, as well as Yannis Stournaras, whose experience and institutional resilience proved particularly important during some of the most challenging economic periods for Greece and for Europe more broadly. Both are highly valued colleagues within the euro area's decision-making process.

Their presence is a reminder that the functioning of the euro area rests on shared analysis, collective decision-making, and clearly allocated responsibility.

In this context, it is appropriate to note something that rarely features in Bulgaria's public debate.

In recent years, the number of Bulgarian professionals working within the core European institutions, including the European Central Bank, has been increasing. They are rarely visible in the domestic public sphere, yet they are directly involved in the analytical and decision-making processes at the centre of European economic governance. This is indicative of the way Bulgaria is becoming ever more deeply institutionally embedded.

Only a relatively short period has passed since Bulgaria joined the euro area. This moment has a symbolic dimension. Its real significance, however, is primarily institutional.

The accession process has formally concluded. From this point onward, the emphasis shifts from preparation to implementation, and from intentions to outcomes.

From Accession to Participation

Bulgaria's membership of the euro area is the result of a long process based on consistency and discipline.

For nearly three decades, the country operated under a currency board arrangement—initially anchored to the Deutsche Mark and subsequently to the euro. This framework ensured price stability, imposed fiscal discipline, and served as a monetary anchor.

From a practical perspective, monetary conditions in Bulgaria had been closely aligned with those in the euro area long before formal membership. What has changed is not the logic of monetary policy, but the institutional position.

Today, Bulgaria participates directly in the formulation of the common monetary policy, including in assessments of inflation, economic activity, financial conditions, and risks for the euro area as a whole.

This transition—from automatic alignment to shared decision-making—represents the core economic meaning of euro adoption from Bulgaria's perspective. It combines greater influence with a higher degree of responsibility.

A Smooth Transition in Practice

The transition to the euro has not only an institutional, but also a clearly defined operational dimension.

The data available so far do not indicate deviations from what was expected.

The withdrawal of lev banknotes and coins proceeded without disruption. At present, close to 85 percent of levs in circulation have already been withdrawn. In parallel, over 7 billion euro were made available for cash circulation, ensuring the smooth functioning of cash and payment processes during the transition period.

The banking system, payment infrastructures, businesses, and households have adjusted within the planned parameters. This outcome reflects accumulated preparation, institutional coordination, and consistent communication with the public.

It is precisely at such moments—when frameworks change—that trust is formed most durably.

Inflation: Facts, Perceptions, and Convergence

Price stability remains a key component of public trust. For this reason, assessments of inflation developments must rest on comprehensive data and rigorous analysis, rather than on isolated observations or short-term perceptions.

According to the flash estimates published by the National Statistical Institute and Eurostat, based on the harmonised index of consumer prices (HICP), annual inflation in

Bulgaria in January stood at around 2.3 percent, broadly in line with price developments in the euro area. At the aggregate level, the adoption of the euro has not resulted in material additional inflationary effects in the first month of 2026.

Preliminary analysis conducted by experts from the European Central Bank and the Bulgarian National Bank indicates that the currency changeover was associated with a limited and temporary price effect of around 0.3–0.4 percentage points on monthly inflation in January 2026. This effect appears to be concentrated mainly in specific services categories and is broadly consistent with the experience of other countries that have joined the euro area in the past.

From a monetary policy perspective, these developments are within prior expectations. Even under the currency board arrangement, inflation dynamics in Bulgaria have historically been closely linked to those in the euro area, with temporary deviations reflecting structural characteristics of the domestic economy.

It is therefore essential to distinguish clearly between short-term changeover-related effects and longer-term processes of price convergence.

As incomes rise, certain domestic prices—particularly in services—tend to increase at a faster pace than the euro area average. This is a well-established feature of real convergence, reflecting productivity catch-up, wage dynamics and changes in consumption patterns.

The relevant question is not whether relative prices adjust—they inevitably do—but whether this adjustment proceeds in an orderly manner and is driven by market forces. Price developments should be consistent with underlying macroeconomic fundamentals and take place within an environment characterised by strong competition and effective public institutions.

In this context, sustaining price stability is not the sole responsibility of monetary policy. It also depends critically on the quality of the institutional framework and on the consistency, credibility and predictability of economic policies over time.

Monetary Policy and Responsibility

Bulgaria joins the euro area in an environment characterised by heightened geopolitical, financial, and structural uncertainty.

In this context, euro area monetary policy remains oriented towards price stability, data dependence, and careful calibration. Recent decisions reflect this framework, remaining focused on the medium-term inflation objective while taking incoming information into account.

For Bulgaria, participation in this collective process strengthens expectations and contributes to a higher degree of confidence in the monetary framework.

At the same time, it is important to clearly delineate the role of the euro with respect to domestic economic developments.

The euro implies a common monetary policy. It does not, however, remove responsibility at the national level in other key areas of economic policy.

Fiscal prudence, effective supervision, and institutional discipline-essential under the currency board regime-remain equally relevant today. What euro area membership adds is participation in decision-making, access to common protective mechanisms, and deeper institutional integration.

Governance, Trust, and Stability

In Bulgaria's public discourse, Europe and corruption are often treated as separate issues. From an institutional perspective, this separation is artificial.

Corruption is frequently interpreted in moral terms. From an economic and institutional standpoint, it is a problem of efficiency and trust. Where trust is undermined, the benefits of euro area membership cannot be fully realised.

At the same time, anti-corruption efforts that are not embedded in a stable institutional framework rarely have lasting effects. European rules and mechanisms contribute to the predictability of processes, including during periods of domestic political instability.

In this sense, pro-European orientation and effective governance are not alternatives, but mutually reinforcing elements.

In today's global environment, stability itself has become a strategic resource.

For a small and open economy, euro area membership changes the country's risk profile. It reduces currency-related uncertainty, deepens financial integration, and embeds the economy within established frameworks for supervision and crisis management.

Over the long term, this typically leads to lower risk premia and more favourable financing conditions, provided that policies remain consistent.

Regional Perspective and Sovereignty

Bulgaria's euro area membership also has a regional dimension.

South-Eastern Europe remains heterogeneous in its economic and institutional structures, yet the degree of interconnection is increasing. Bulgaria's experience illustrates one possible path of convergence, based on institutional discipline and long-term commitment.

Euro adoption should not create new dividing lines. If managed appropriately, it can contribute to greater resilience and deeper integration across the region.

The concept of sovereignty is often interpreted in symbolic terms. In today's economic environment, sovereignty is increasingly measured by the ability of institutions to take decisions that are predictable, reliable, and sustainable over time.

From this perspective, euro area membership does not constitute a loss of sovereignty, but a transition from unilateral rule-taking to participation in a shared institutional framework in which decisions are taken jointly.

Conclusion

Ladies and Gentlemen,

Bulgaria's membership of the euro area marks the beginning of a new phase, characterised by higher requirements and more clearly shared responsibility.

The data available so far do not point to deviations from expectations with regard to the technical transition or price dynamics.

Ultimately, outcomes will depend on policy consistency and on the ability to give lasting substance to the institutional framework over time.

The euro is not an end point.

It is a framework in which the quality of institutions and the sustainability of policies become even more visible.

Thank you.