Bulgaria’s economic freedom score is 71.0, making its economy the 29th freest in the 2022 Index. Bulgaria is ranked 20th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Over the past five years, Bulgaria has enjoyed economic growth averaging over 2 percent annually despite a downturn in 2020. Economic freedom has increased in each of the same five years. Led by score increases in judicial effectiveness and fiscal health, Bulgaria has recorded a 3.1-point overall gain of economic freedom since 2017 and joined the ranks of the “Mostly Free” countries in 2020. Indicators of fiscal health are especially positive, but further work is needed to enhance the rule of law.

**IMPACT OF COVID-19:** As of December 1, 2021, 28,542 deaths had been attributed to the pandemic in Bulgaria, and the government’s response to the crisis ranked 83rd among the countries included in this Index in terms of its stringency. The economy contracted by 3.8 percent in 2020.

**BACKGROUND:** Communist domination of the former People’s Republic of Bulgaria ended in 1990. The country joined NATO in 2004 and the European Union in 2007. Corruption plagues both the nation and the government. In 2021, after many months of political wrangling and two inconclusive parliamentary elections, Kiril Petkov and his new centrist, anti-graft We Continue the Change political party was the upset winner of the November election. Petkov formed a coalition government in December 2021. Pro-Russian independent Rumen Radev won the largely ceremonial presidency in 2016. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Bulgaria remains outside the Schengen Area, but recent steps have brought it closer to qualifying for membership in the eurozone.
Private real property rights are protected by domestic laws and EU directives, but internal regulatory impediments, prosecutorial interventions, and inconsistent jurisprudence weaken enforcement. The judiciary remains one of Bulgaria’s least trusted institutions, and allegations of nepotism, corruption, and undue political and business influence are widespread. Higher-level corruption, particularly in public procurement and the use of EU funds, is likewise widespread.

Both the individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 20.3 percent of total domestic income. Government spending has amounted to 36.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.3 percent of GDP. Public debt is equivalent to 23.8 percent of GDP.

The regulatory landscape changes unpredictably. Acquisition of business permits can be difficult, and the process is fraught with delays. Labor costs are low by European standards, but productivity also lags, and the population is shrinking. The government continues to receive extensive subsidies from the EU for Bulgaria’s agriculture and other economic sectors.

As a member of the EU, Bulgaria has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Bulgaria has an additional 116 country-specific nontariff barriers. In general, foreign and domestic investors are treated equally. Privatization of state-owned banks is complete, and foreign banks account over 70 percent of total assets.