

## Bulgaria first quarter activity: We're getting there

While not printing overly impressive numbers, Bulgarian retail sales and industrial production posted a robust advance in the first quarter of 2021 compared to the previous one. This supports our expectation for positive quarterly GDP growth of around 1.0% in 1Q21

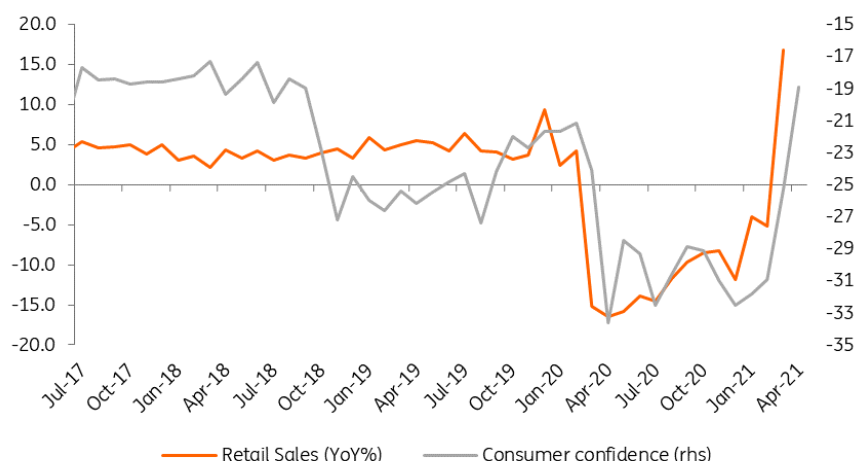


Source: Shutterstock

### Retail sales: finally showing some strength

After a disappointing dynamic throughout 2020 when it much resembled an 'L-shaped' recovery, retail sales are finally gaining traction in 1Q21, closing 5.0% above the 4Q20 level. Even better, the increase is visible in all sub-sectors, but the sales of non-food items have really taken the lead, expanding by more than 7.0% in the first quarter.

## Improving confidence



Source: NSI, EC, ING

The vaccination rollout is still progressing at a disappointing pace, but the number of daily infections has been kept in check and things point towards an almost normal summer season. Hence, we expect retail sales to continue their advance and make consumption great again for the Bulgarian economy.

## Industrial production: on the right path, just not at the right speed

Industrial output expanded by 2.4% in the first quarter of 2021 versus the previous quarter, marking the third consecutive quarterly expansion. On the year, it is still 0.4% below 1Q20, but things seem to be going the right way, just not at the right speed. However, [Bulgaria's main trading partner](#) is apparently set to generate more external demand, hence albeit at a slow pace, the industrial sector looks well positioned for at least a couple more quarters of expansion.

Today's retail and industrial data point to a somewhat 'below the radar' but still robust recovery of the Bulgarian economy. GDP data for the first quarter is due 18 May and we reaffirm our forecast for GDP to have expanded by 1.0%.

The black swan for 2021 might not be an eventual fourth or fifth wave of infections, but rather prolonged political instability which could affect the government's ability to implement the proposed budget plan, as well as population morale. After three failed attempts to form a government, snap elections are scheduled for mid-July but the chances for a coalition to be formed have not improved substantially.

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