

Snap | 14 November 2019

# Bulgarian growth rises above expectations

Bulgarian third-quarter growth came in at 3.7% year-on-year in line with most countries in the central and eastern European region. This is pushing our GDP forecast 0.3 percentage points higher to 3.7% for 2019



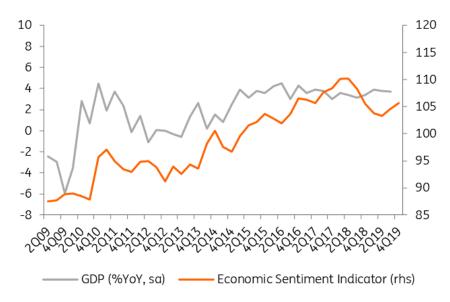
Council of Ministers building, Sofia

While still decelerating, both in annual and quarterly sequential terms, Bulgarian GDP looks to be in line with most countries in the CEE region – remarkably resilient to eurozone deceleration. The quarter-on-quarter growth came in at 0.7%, from an upwardly revised 0.9% in the second quarter. This was above the Bloomberg and ING consensus of 3.5%.

Breakdown data is due next month, but today's flash data points to a more balanced growth picture. Quarterly consumption growth continues to decelerate, coming in at 0.9% in 3Q19 from 1.1% in the second quarter and 2.4% in 1Q19.

The good news comes from investments, as gross fixed capital formation accelerated to 0.8% QoQ, while net exports contribution has likely turned positive in the third quarter.

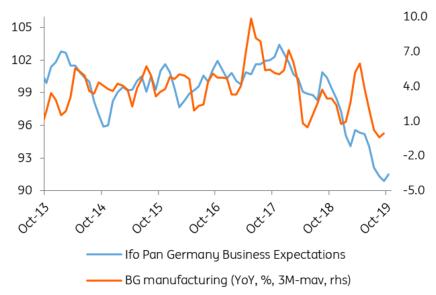
### Confidence still holding on



Source: NSI, ING

Looking ahead, high-frequency data indicates a more challenging outlook as the industrial sector just had its second consecutive quarterly contraction and could turn into a growth drag in 2019. This is mainly due to lower export orders for manufacturing.

## Manufacturing sector in contraction



Source: NSI, IFO Institute, ING

We have reason to be mildly optimistic about fourth-quarter developments – and hence, the full year. Investment growth should continue, consumers still look keen on consuming and the government has plenty of room to spend in the last two months of the year considering the +0.9% of GDP fiscal surplus after ten months.

Hence, another 0.5% quarterly expansion in 4Q19 to take the full-year growth to 3.7% looks achievable.

#### **Author**

Valentin Tataru Chief Economist, Romania valentin.tataru@ing.com

#### **Disclaimer**

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit http://www.ing.com.