

## 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



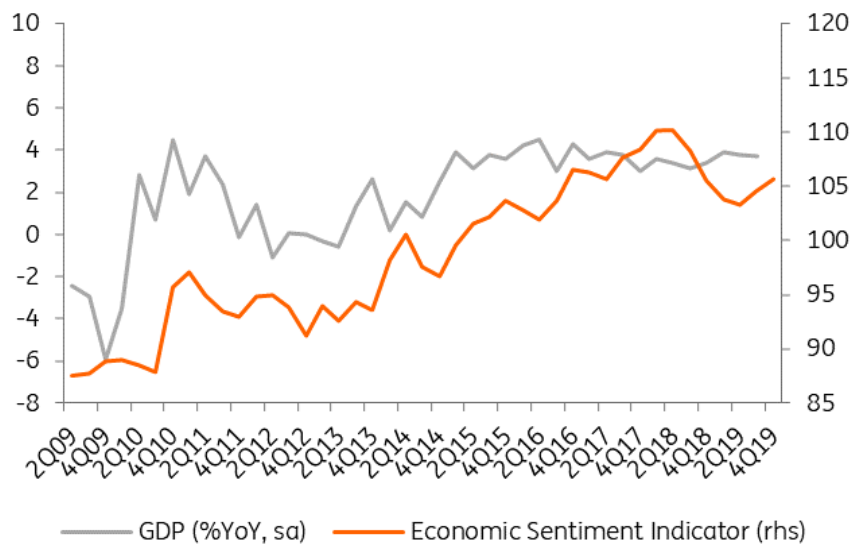
Council of Ministers building, Sofia

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.

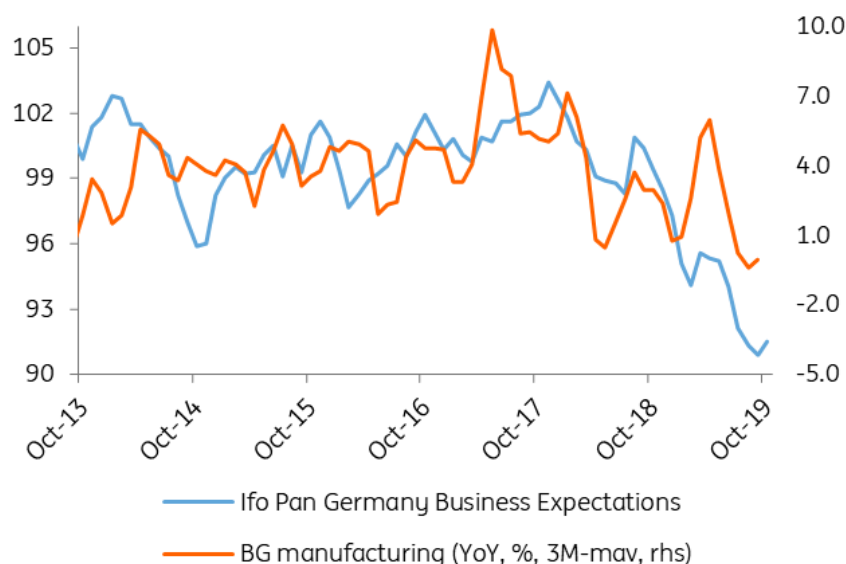
## Confidence still holding on



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.

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