

Growth in Bulgaria was below expectations in the third quarter

Bulgarian third-quarter GDP advanced by 4.3% compared to the previous quarter. We maintain our forecast for a 4.5% economic contraction in 2020 and revise next year downwards to +3.0%



Source: Shutterstock

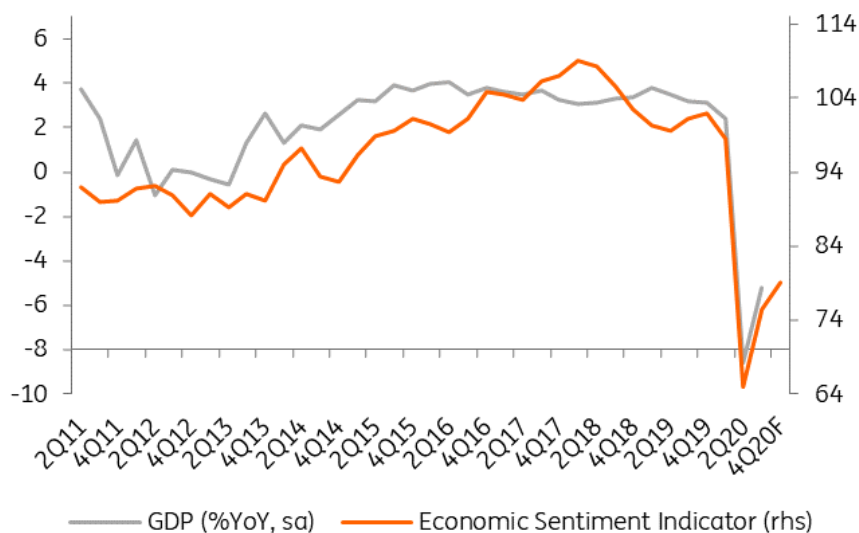
Today's flash GDP data came a bit like a cold shower, softening our otherwise hopeful stance on Bulgaria's economic resilience and growth prospects.

The 4.3% quarterly expansion translates into a 5.2% contraction versus the third quarter of 2019. This means that the chances of seeing GDP growth in the vicinity of -3.0% this year (as previously indicated by officials) are extremely low. In fact, even for our -4.5% forecast to be met, the economy still needs to show an expansion in the fourth quarter versus the previous one. This will not be easy, given the second wave of infections and the restrictive measures that came with it.

-5.2% 3Q20 GDP
Bulgaria

Worse than expected

GDP growth (YoY%) and components



Source: NSI, ING

On the bright side, Bulgaria has entered this crisis with ample fiscal space and an almost impeccable track record of fiscal discipline. The recently adopted budget deficit target for 2021 of -3.9% coupled with the permanent planned increase of wages and pensions will help to restore growth and confidence.

Under these circumstances, while we do maintain the -4.5% growth forecast for this year, we need to make a relatively important adjustment to next year's growth forecast, which we now see at 3.0%, versus the initial 4.5%. Arguments for a lower growth rate are pretty much similar to what we have already seen throughout the rest of Europe and they all relate to the new wave of restrictive measures.

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 www.ing.com.