

## 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

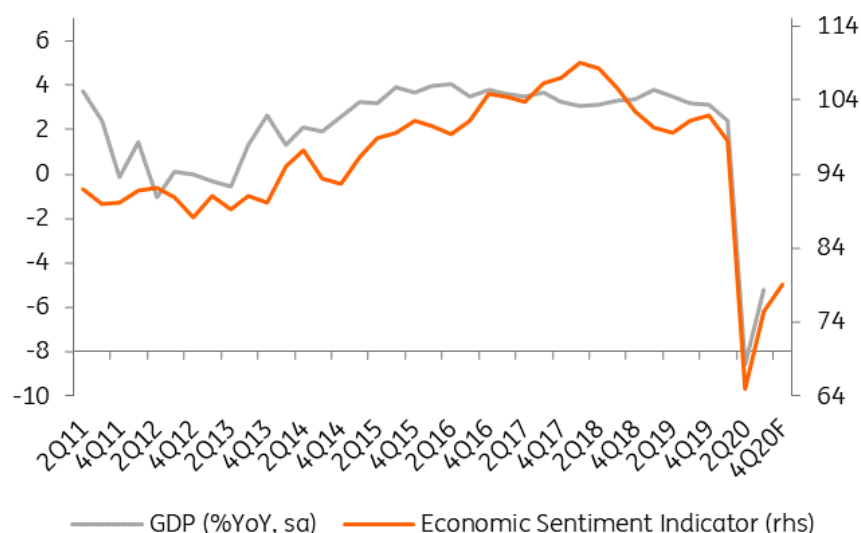
Today's flash GDP data came a bit like a cold shower, softening our otherwise hopeful stance on Bulgaria's economic resilience and growth prospects.

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.

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