

Bulgaria: Solid growth despite messy politics

Owing to a robust recovery in consumption and exports, the Bulgarian economy expanded by 2.5% in 1Q21 versus the previous quarter and has almost recovered to pre-pandemic levels. We revise our 2021 GDP growth forecast from 4.1% to 5.4% but remain wary on the prolonged political instability



The flash release does contain some limited details on a few GDP items, though more details are due on 8 June. Compared to 4Q20, the expenditure side of GDP shows expansion in all items. Eye-catching is the 6.5% expansion in exports of goods and services as well as the robust 1.6% growth for total final consumption. This jibes with the [latest industrial and retail data](#) showing solid external demand and more consumption, as average wage growth starts to climb into the double-digit area again.

Translating into a -1.8% contraction versus 1Q20, the 1Q21 2.5% quarterly advance takes our 2021 GDP growth forecast to 5.4%. This still assumes relatively “normal” quarterly expansions in the coming quarters of around 1.0%, which we think is on the cautious side. Hence, risks for growth are still skewed to the upside.

As [already mentioned](#), the black swan for 2021 might not be an eventual fourth or fifth wave of infections, but rather prolonged political instability. After three failed attempts to form a government, snap elections are scheduled for 11 July but the chances for a coalition to be formed have not improved substantially.

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