

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.

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.