

# Bulgarian economy in good shape at mid-year

Shrugging off the political saga, the Bulgarian economy is set to post another quarter of robust growth. But the lack of a government in power may start to impact GDP growth, especially through sub-optimal EU-funds absorption and government spending



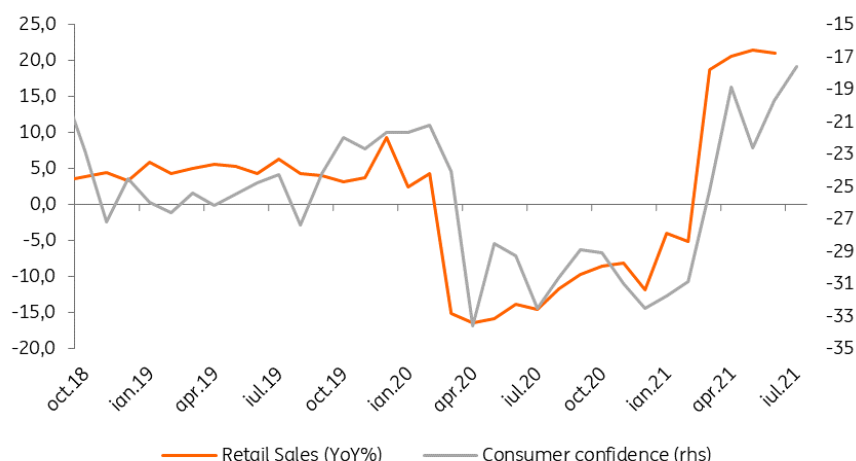
Source: Shutterstock

## Retail sales

Bulgaria's economic activity has maintained a steady pace in the second quarter of 2021, benefitting from one of the least restrictive pandemic-related measures in the EU.

As the yearly growth rates are still heavily distorted by base effects and the subsequent re-opening, we prefer to focus on monthly and quarterly seasonally adjusted growth rates. From this perspective, retail sales have expanded almost every month since May 2020, with only one small hiccup in February 2021 when sales contracted by 0.1% versus the previous month.

## Confidence flattening at high levels



Source: EC, NSI, ING

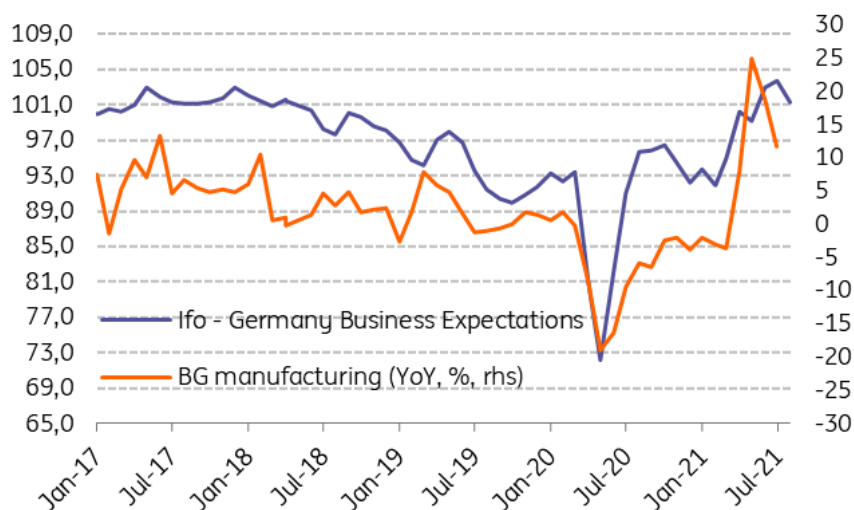
In June alone, sales expanded by 1.4%, taking the quarterly expansion to 4.6%. The main driver remained non-food items which grew by 7.4% over the quarter, most likely boosted by strong sales in the DIY sector. Fuel sales have also expanded by 5.0% over the same period, followed by food items with a 3.3% advance.

## Industrial production

Industrial output grew by 2.0% in the second quarter versus the previous one, marking the fourth consecutive quarterly expansion.

The underlying growth structure, however, looks relatively weak, as the manufacturing sector - most important by its weight in the overall index - has only expanded by 0.8% in the second quarter, while in monthly terms, it has, in fact, contracted every month since April. This might indicate that the industrial recovery has reached its limits for now.

## No more upside for now



Source: Ifo Institute, NSI, ING

With the [external context](#) not exactly poised for imminent growth, the short-term outlook for the Bulgarian industry in 2H21 should be flat at best.

### Another robust GDP print

Although Bulgaria is the last in terms of its vaccination rate in the EU, the number of daily Covid-19 infections has been pretty low over the summer, allowing consumers to enjoy somewhat everyday life. From this perspective, we are minded to be a bit more cautious for the second half of 2021, given the approaching fourth wave of the pandemic, which in correlation with the low vaccination rate might dampen consumer morale again.

Having said that, we should underline that the first half of 2021 was well above most expectations. The second-quarter flash GDP print due 17 August should show a quarterly expansion of around 1.5%, which would be compatible with our above expectations 2021 GDP growth forecast of 5.4%.

### Author

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto: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](http://www.ing.com).