

## Bulgarian GDP outperforms most EU economies

2Q20 flash GDP shows a 9.8% contraction compared to the previous quarter. We are marginally upgrading our 2020 GDP forecast to -4.5% from -5.0%

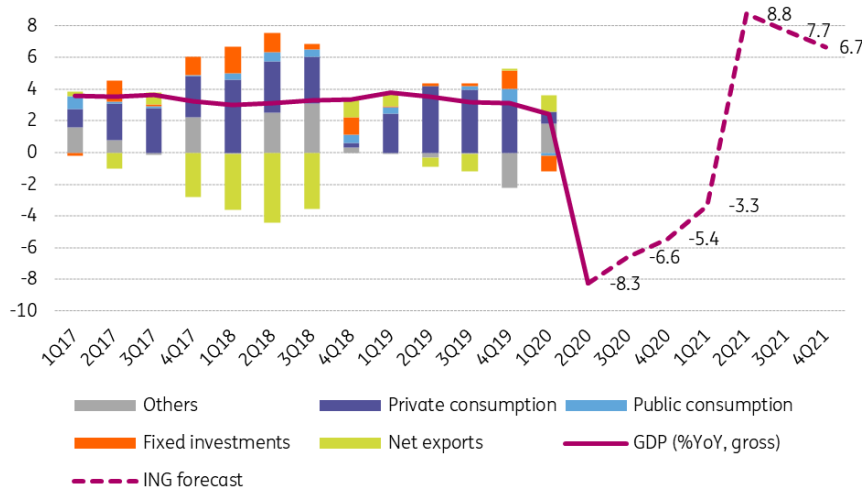


Source: Shutterstock

Bulgarian economy seems to have performed the best in comparison to most other EU economies in the second quarter of 2020. Compared to 2Q19, the economy contracted by 8.2%, noticeably better than the 10% Bloomberg consensus and ING's 9.5% estimate.

The flash GDP contains some limited details. But as expected, all GDP components have contracted in comparison to 1Q20. The main drags seem to have been a sharp decrease in the export of goods and services (-23.4%), investments (-4.3) but also final consumption (-2.1%).

## GDP growth (YoY%) and components



Source: NSI, ING

We remain cautiously optimistic on Bulgaria's growth prospects this year as the country is likely to post one of the smallest contractions in the EU.

For the second half of 2020, we are worried that the resurgence in the number of infections will slow the recovery through the demand channel. To balance that, the government's fiscal expansion planned for 2H20 could reach unseen levels, as the government needs to spend around 4.5% of GDP if it wants to reach its budget deficit target of 3.0% of GDP.

Given the good resilience exhibited in the first part of 2020, we are marginally upgrading our GDP forecast from -5.0% to -4.5% in 2020.

For 2021 we lower our growth estimate to 4.8% from 5.2% initially on the back of a more gradual recovery than initially envisaged.

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