

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%

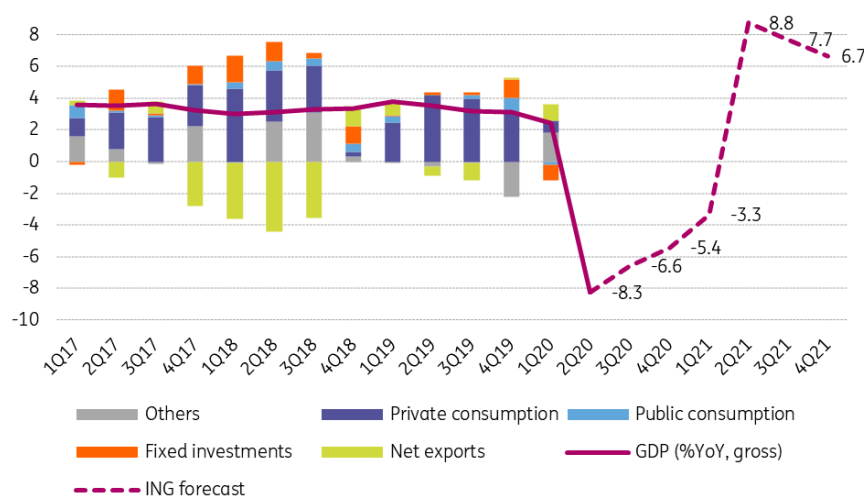


Source: Shutterstock

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.

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.