

8 May 2020
Snap

Bulgaria: Unprecedented drop in retail sales

While industrial production is trying to hold on, consumption contracted in March like never before

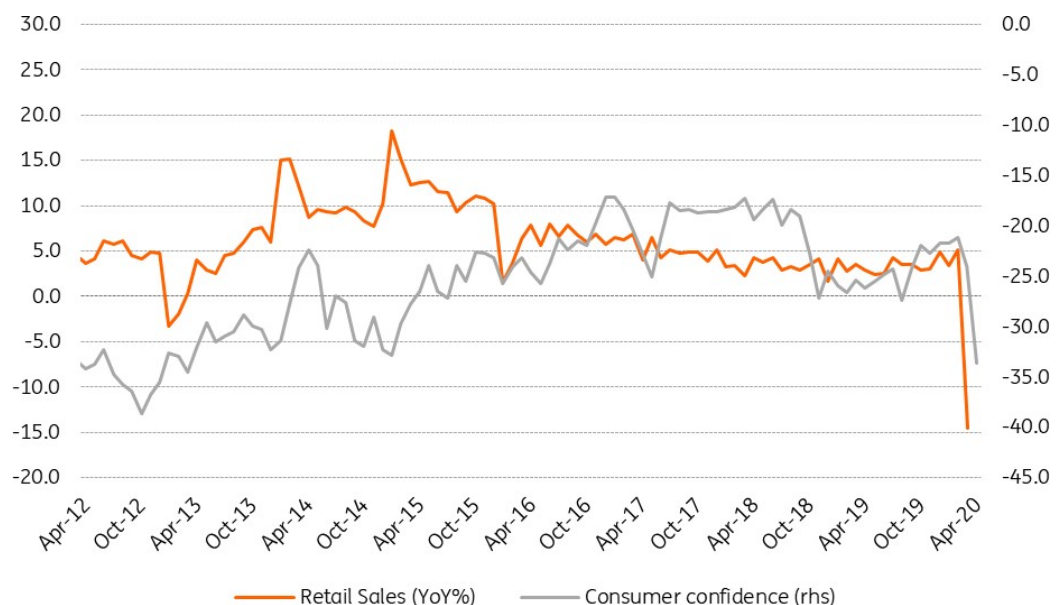


Consumption falling sharply

We knew it was going to look bad, but the 18.1% monthly contraction in Bulgarian March retail sales has dwarfed by far any other monthly release since January 2000 when our time series begins. The second-largest month-on-month contraction was in January 2013 at -6.5%. Compared to March 2019, the March-2020 fall stands at -14.6%, again a worst ever.

The details are not less spectacular, as fuel sales dropped in March by almost 37% compared to February, while non-food contracted by over 25%. Needless to say, again we've never seen numbers as bad as this. Food sales, on the other hand, did advance, but only by a modest 1.9% which was even below February's 3.3% advance.

Depressed consumers



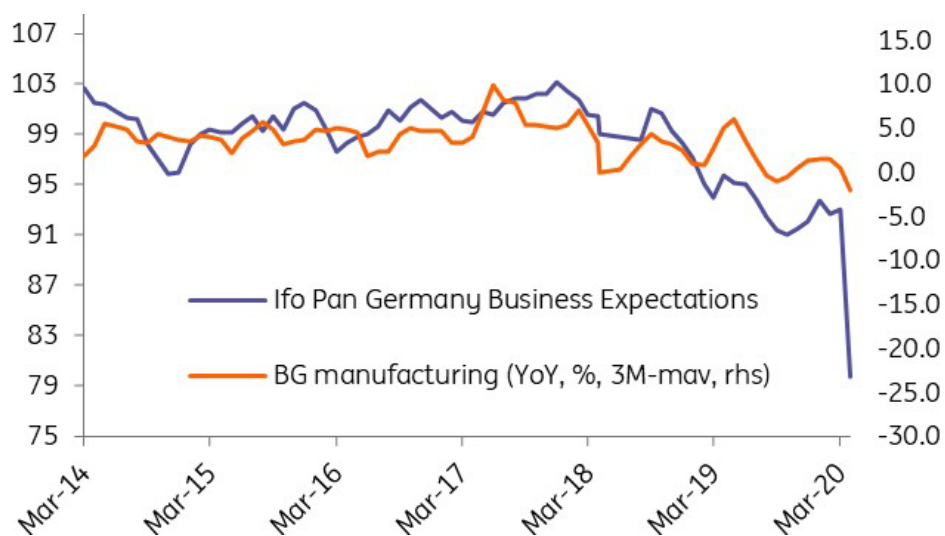
Source: NSI, EC, ING

Although it is hard to see how we could get weaker consumption data than we had today, do not forget that March was not a month of full lockdown in Bulgaria (a state of emergency was declared on 13 March). Hence, consumption probably contracted further in April.

Industrial production trying to hold on

While not printing a rosy picture, industry seems to have coped somewhat better in March, at least when compared to the consumer sector. The -5.1% month-on-month contraction is terrible, but we've seen worse during the 2009-2010 crisis. The entire contraction came from the manufacturing sector which declined by 6.9% versus February (-7.1%YoY). Almost all manufacturing sub-sectors contracted except for an obvious one: production of pharmaceutical products advanced by 14.4%, one of the highest rate in over 7 years.

Not difficult to see where this is going



Source: Bloomberg, NSI, ING

Heroic as it might be, industry's seeming resistance to the falling demand will probably be short-lived. The batch of industrial data coming from eurozone countries (see [France](#) or [Germany](#)) or even other CEE peers (see [Hungary](#)) looks truly worrisome and we doubt that the Bulgarian economy will be able to generate enough internal demand to prop its industry.

Today's batch of data doesn't help us in any way to see an upside to our current forecast of -6.2% GDP contraction in 2020. The large share of private consumption in GDP means that depressed consumers will lead to depressed GDP. The external demand probably hasn't reached the bottom in March and can fall further in April. The best we can hope for right now is that the fall will be short-lived.

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