

# Country Economic Forecast

## Bulgaria

### Economist

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**Flash Q2 estimate results in a slight downward revision to our 2019 GDP growth forecast...**

**...as consumption continues to support growth despite a reduction in the net trade deficit**

- The flash estimate of Q2 GDP rise of 3.3% y/y was below initial expectations and the Q1 3.5% gain. As a result, we have lowered our 2019 growth forecast to 3.5%, with 2020 also seen slightly lower at 3.0%. Growth will continue to be driven by the strong domestic economy, led by private consumption.
- Despite expectations that the trade deficit will narrow to 2.3% of GDP in 2019 (from 4.0% in 2018), net exports will continue to drag on the economy as strong private consumption drives demand for imports. Consumer spending is expected to grow by 3.4% in 2019, with an uptick in H2 supported by continued low employment, rising real incomes and slowing inflation. Consumption is then expected to slow to 2.8% in 2020 as unemployment begins to rise. GDP growth is therefore forecast to slow further to 2.6% in 2021 and 2.3% in 2022.
- Inflation was down to 2.9% y/y in July from a high of 3.7% in April, largely due to slower rises in food and beverage prices and falling communication and clothing prices. We expect the slowdown to continue in H2, with our 2019 inflation forecast now at 3.0% before easing to just over 2% a year in 2020-22.
- At the beginning of 2019, unemployment began to climb again. However, over the last few months it has fallen back to historic lows, reaching 4.4% in June. Although we expect it to rise again in H2, it will remain relatively low by regional standards. Unemployment is expected to average 4.9% in 2019, before rising to 5.5% in 2020.

Forecast for Bulgaria						
(Annual percentage changes unless specified)						
	2017	2018	2019	2020	2021	2022
Domestic Demand	4.9	6.3	1.9	3.8	1.8	2.2
Private Consumption	4.5	7.2	3.4	2.8	1.8	1.9
Fixed Investment	2.6	7.5	3.7	3.1	2.4	3.4
Stockbuilding (% of GDP)	1.3	1.0	-0.6	0.4	0.3	0.3
Government Consumption	4.0	2.9	3.4	2.1	1.5	2.1
Exports of Goods and Services	5.8	-0.8	3.9	5.3	3.4	3.7
Imports of Goods and Services	7.5	3.7	1.5	6.3	2.2	3.5
GDP	3.8	3.3	3.5	3.0	2.6	2.3
Industrial Production	3.8	1.1	2.6	2.1	1.9	1.9
Consumer Prices, average	2.1	2.8	3.0	2.1	2.1	2.1
Current Balance (% of GDP)	3.2	4.6	3.2	3.3	3.3	3.0
Government Budget (% of GDP)	0.8	0.1	-2.0	-0.2	0.1	0.2
Gross Government Debt (% of GDP)	24.0	21.0	20.2	20.1	20.1	20.1
Short-Term Interest Rates (%)	-0.1	-0.2	0.0	0.2	0.5	0.8
Long-Term Interest Rates (%)	1.6	0.9	0.5	0.9	1.3	1.7
Exchange Rate (vs US\$), average	1.74	1.66	1.74	1.72	1.68	1.64
Exchange Rate (LC per Euro), average	1.96	1.96	1.96	1.96	1.96	1.96

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## Forecast overview

### Stronger net trade to lift growth in 2019

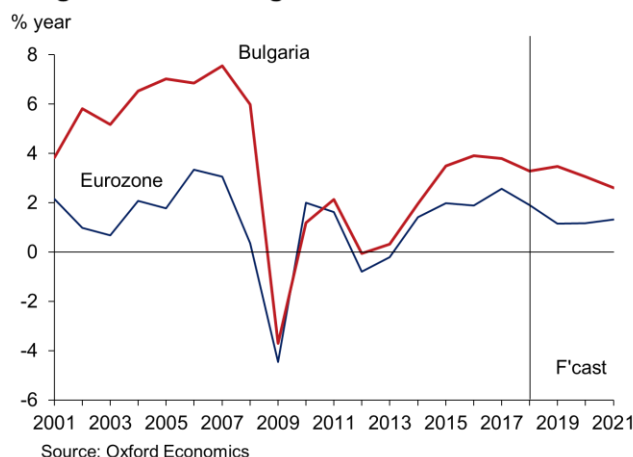
Our 2019 forecast for GDP growth remains strong at 3.5%, albeit down a little from 3.7% last month due to a weaker than expected Q2. A recovery in exports and the surprisingly sharp decline in imports reduced the drag of the trade balance. According to latest flash estimates, exports rose by 3.3% y/y in Q2. Imports fell sharply by 5.5% during the same period, thus resulting in a positive impact from net trade. But despite positive signs on the external side, net trade may be a drag on growth (albeit to a lesser extent) and domestic demand will remain the key driver despite less buoyant prospects for private consumption in 2019. Growth in retail sales has lost momentum, consumer confidence has fallen, inflation is rising and business confidence fell to its lowest in almost five years in March (although it has since begun to improve). Rising wages should mitigate these factors and buoy consumption growth in 2019 (seen at 3.4%, but less than half the 7.2% pace in 2018). Domestic demand will also be supported by increased absorption of EU funds, sustaining investment growth, seen at 3.7%, albeit down from some 7% in 2018.

Recovery of the external sector is subject to some downside risk as it remains vulnerable to rising trade tensions, slower global trade and a sharper downturn in Turkey – a key trading partner – where GDP is seen falling 1.5% in 2019.

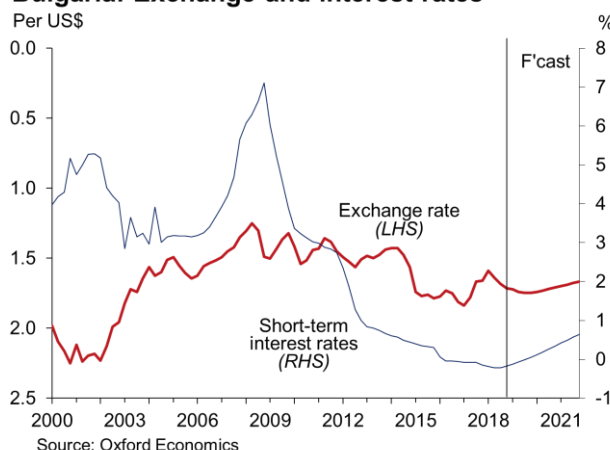
For 2020, we forecast a slowdown in growth to 3.1%, with the economy influenced by:

- Waning labour market improvement:** the labour market has been improving steadily since 2013, with the unemployment rate dropping to a historic low of 4.4% in June, fuelling wage growth and consumption. Although this is good news, it has resulted in some shortages of labour. The jobless rate is expected to pick up again in H2, with 2019 unemployment estimated at 4.9%, rising to 5.5% 2020. As a result, employers are finding it difficult to get suitably-skilled workers, so the benefits associated with low unemployment are limited in the short term and there are concerns for the medium to long run.
- Low interest rates underpin domestic demand:** with the policy interest rate close to zero for the past five years (and likely to remain there until early-2021), the cost of borrowing for firms and households is still very low, helping to support demand and production.

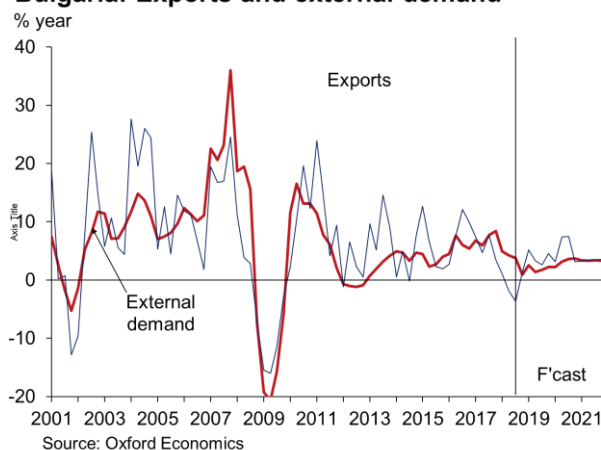
### Bulgaria: Real GDP growth



### Bulgaria: Exchange and interest rates



### Bulgaria: Exports and external demand



- Increased government spending:** although the government has run a fiscal surplus since 2016, we forecast a return to deficit in 2019 as a result of increased absorption of EU funds, rising spending on infrastructure, education and healthcare and higher defence spending. We now forecast a deficit equal to 2.0% of GDP this year, before a return to a small deficit of 0.2% of GDP in 2020.

## Steady medium-term outlook

We forecast GDP growth of 2.6% in 2021 and then about 2.2% a year in 2022-23. In addition to solid, albeit slowing, growth in consumer spending, the main factors driving our forecast are:

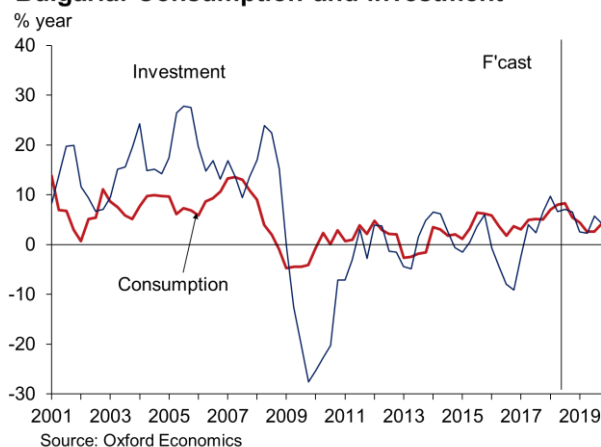
- Little impetus to growth from net trade despite rising exports:** export growth is forecast at 3.9% and 5.3% in 2020 and then about 3.5% a year in 2021-23. Economic growth is highly dependent on exports of goods and services and the government is broadening export markets, having made several trade deals with China and the recent signing of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the European Union and its member states. CETA will provide new opportunities for trade and investment.
- EU-funded investment:** absorption of EU funds picked up strongly in 2018, leading to a substantial rise in public investment. Drawdown of EU structural funds will remain strong in 2019, supporting investment growth of 3.7% in 2019 3.1% in 2020 and then remaining strong over the medium term, averaging 3.0% growth in 2021-23.

**Unfavourable demographic trends:** the working-age population is expected to decline by about 1% a year in 2010-23. A loss of skilled workers will depress productivity growth, reduce potential output and put significant pressure on public finances. The government has implemented policies to address the shortages in the labour market, including initiatives to bring back overseas Bulgarians and signing worker import agreements with neighbouring countries. Medium- and long-term growth prospects will depend on the success of these schemes.

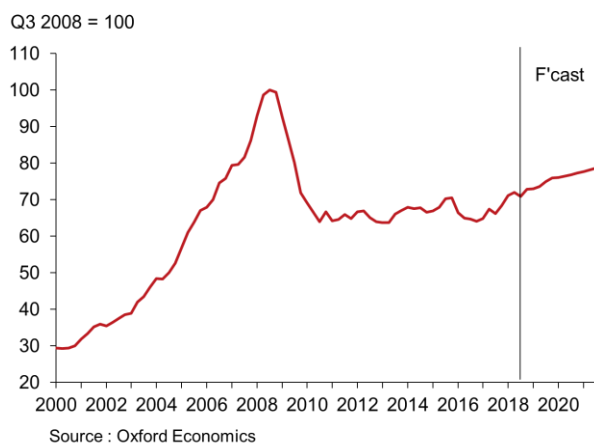
## Bulgaria: Real GDP and industrial production



## Bulgaria: Consumption and investment



## Bulgaria: Fixed investment



## Economic Risk Evaluation

### Overall risk for Bulgaria: 4.4/10\*

Bulgaria's overall economic risk score of 4.4 is moderate, with a 0.4 rise from six months ago now placing it 54th out of the 164 countries in our survey. The score remains significantly below the emerging market average of 5.6.

GDP growth is forecast at 3.5% in 2019 and then around 2.7% a year in 2020-22. Despite the fairly strong economy, income inequality remains high and the income gap relative to the EU average is considerable. The country also faces significant medium- and long-term growth challenges posed by a declining population and labour market constraints.

### Market demand: 3.0/10

The demand risk score remains moderate to low at 3.0, well below the regional and emerging market averages of 5.0 and 5.6 respectively.

Low levels of unemployment and rising wages have boosted real incomes and raised consumer confidence. Domestic demand should grow steadily in the medium term, helped by rising exports spurring greater domestic investment.

### Market cost: 5.0/10

The market cost risk score is 5.0, up from six months ago and above the regional average of 4.5.

While labour costs in Bulgaria are the lowest in the EU, labour productivity is less than half the EU average. Moreover, wage growth has outpaced productivity growth in recent years, and as a result Bulgaria has seen its competitiveness eroded. Following deflation in 2014-16, consumer price inflation rose to 2.8% in 2018 and is forecast to climb to 3.0% this year before easing to an average of just over 2.1% in 2020-22.

Bulgaria:			
Economic risk index			
(Scores from 1 to 10 with 10 = highest risk)			
	Aug 2019	Rank out of 164†	Score change from February
Overall	4.4	54	0.4
Market demand	3.0	8	0.0
Market cost	5.0	63	1.0
Exchange rate *	3.1	56	0.7
Sovereign credit	4.0	55	0.5
Trade credit	7.0	69	0.0

† (1 indicates lowest risk ranking)

\* As of May 2019, the exchange rate risk score is based on our new methodology. The change from six months ago also refers to the respective score under the new methodology.

### Economic risk: Bulgaria vs Emerging markets average

Risk score, 10 = highest



Source : Oxford Economics

## Exchange rate: 3.1/10

Under our new methodology, the exchange rate risk score is moderate at 3.1, below both the regional and emerging market averages of 3.4 and 4.6 respectively.

Bulgaria has maintained a peg to the euro since its launch and remains committed to joining the eurozone. The government has approved plans for the necessary reforms to progress towards joining the eurozone. To do this, it needs to join the ERM-II, which is known as the “waiting room” for the eurozone. Bulgaria must successfully participate in the ERM-II for at least two years before joining the euro. Acceptance to the eurozone is likely to take some time, and as such we expect the peg to remain at BGL1.96 to the euro over the forecast period.

## Sovereign credit: 4.0/10

The sovereign credit risk score of 4.0 has risen from six months ago but remains below the emerging market average of 4.9. The major rating agencies all rate Bulgaria as investment grade, with Fitch having lifted the outlook on its BBB rating from stable to positive.

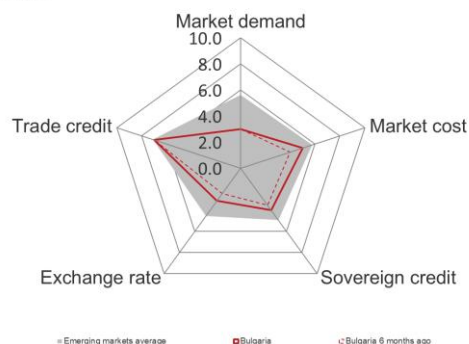
Bulgaria’s favourable score reflects a combination of its healthy external and fiscal balance sheets. Indeed, there were fiscal surpluses in 2016-18, but a deficit is expected in 2019 as government raises spending, in part to address labour market weaknesses. Strong overall economic performance as well as improved absorption of EU funds has supported healthy revenue growth. The short- to medium-term outlook for both government and private sector debt is stable. The risk score is constrained by weak institutions, corruption and a high level of non-performing loans in the banking sector.

## Trade credit: 7.0/10

Trade credit risk – a measure of private sector repayment risk – remains high by regional and global standards at 7.0.

Trade credit risk is high given the vulnerabilities in the financial system and concerns over corruption in government and business that undermine the investment climate. The prevalence of Greek banking subsidiaries in Bulgaria leaves the banking system exposed to any renewed financial strains in the Greek financial system.

## Economic risk: Bulgaria vs Emerging markets average



Source : Oxford Economics

## Risk warnings

GDP growth	●	Expected to remain strong and stable in medium term
CPI inflation	●	Set to increase marginally in 2019 before settling in 2020
Current account balance	●	Close to balanced in the medium term
Government balance	●	A small fiscal deficit forecast for first time since 2015
Government debt	●	Government debt trajectory is slow and stable
External debt	●	High external debt expected to fall in medium term

\* Risk scores are from 1 to 10, with 10 representing the highest risk. For our full country risk service, see [www.risk-evaluator.com](http://www.risk-evaluator.com). Sovereign credit risk comes from our sovereign risk tool and foreign exchange risk comes from our FX risk tool. [Find out more.](#)

## What to watch out for

**Political uncertainty:** although Prime Minister Borisov avoided having to form a minority administration following elections in March 2017, this was the country's sixth government in three years. There is a risk that rising social divisions – including recent protests across the country, generally around cost-of-living issues, with many demanding the resignation of the government due to their low standards of living – could lead the government to adopt a less cautious fiscal policy. If a loose fiscal policy were to be followed for some time, it could pose a threat to the currency board system and further suppress vital foreign investment.

**Poor business climate:** Bulgaria is one of the most corrupt countries in the EU, which has undermined public and private investment, hurt potential growth and contributed to the EU's hesitancy to allow Bulgaria to adopt the euro. Decisive action aimed at improving the allocation of domestic and foreign capital could reduce the risks connected to the growth outlook.

### Impact of adverse demographics on competitiveness

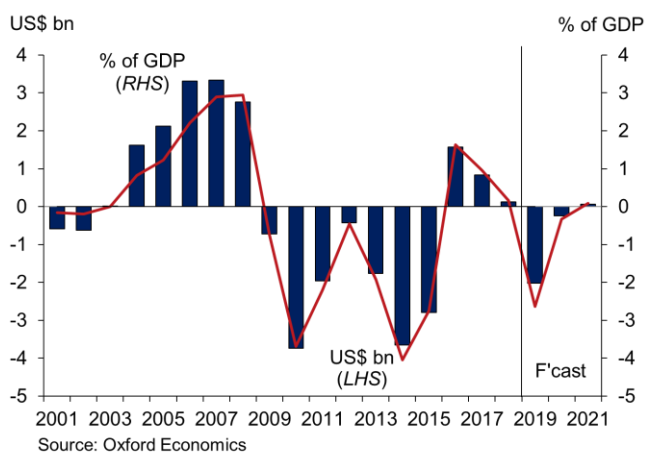
**and public finances:** the working-age population is forecast to drop steeply as the population ages. With laws limiting the free movement of people in the EU having been abolished in 2014, emigration could become an even bigger problem, resulting in a faster rise in the dependency ratio and greater strains on the government's finances.

## Exposure to key global risks

**EM upturn as trade war fears fade:** this scenario explores how global growth strengthens on the back of an emerging markets upturn. EMs benefit from three significant tailwinds. First, a further loosening of policy by the Chinese authorities. Second, a swift resolution to current trade tensions. And third, relatively supportive monetary policy among advanced economies. As a result, growth in Bulgaria is higher by some 0.3pp a year over the next three years.

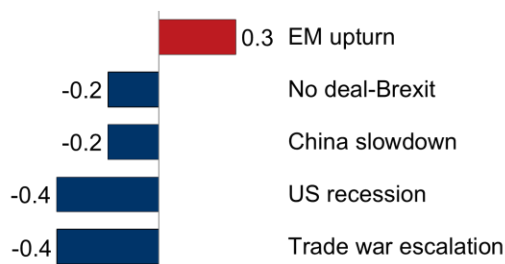
**US recession:** in this scenario, domestic developments trigger a deterioration in the late-cycle US economy. Corporate profits start to weaken, as businesses find themselves unable to pass rising costs onto retail prices; business and household confidence are shaken; and investor sentiment deteriorates. Within a year, the US economy falls into recession prompting the Fed to cut policy rates aggressively. As a result, growth in Bulgaria would be lower by an average of 0.4pp over the next three years.

## Bulgaria: Government budget balance

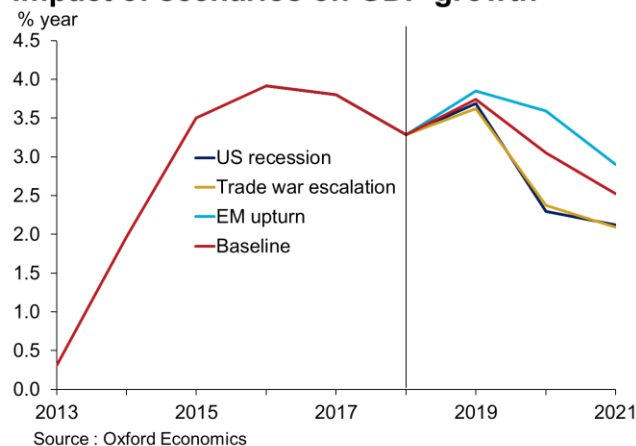


## Impact of scenarios on GDP growth

Average annual impact over the next 3 years (% points)



## Impact of scenarios on GDP growth



## Background

### Economic development

Bulgaria joined the EU in January 2007. The country began transitioning from a highly centralised, planned economy to a market-based one in 1990. This initial transition, however, proved difficult. Privatisation and reform in the early-1990s was accompanied by nearly a decade of slow economic growth and high indebtedness, ultimately leading to economic collapse in 1997. Structural reforms alongside a currency board, sound financial policies and further privatisation produced a decade of high economic growth before a contraction of more than 4% in 2009 following the global financial crisis. Bulgaria's recovery since then has been sluggish, the economy growing at only 1.6% a year in 2011-15, hampered by a period of political instability in 2013-14. The corporate tax rate was cut to 10% in 2007, increasing competitiveness and helping to reduce the large informal economy. Despite challenges in recent years, Bulgaria's GDP per capita in PPP terms more than trebled from US\$6,828 in 1995 to US\$23,156 in 2018 (according to the IMF).

### Structure of the economy

The largest contributor to Bulgaria's GDP by output is the services sector (67%) followed by industry (28%). The latter benefited from increased FDI inflows into the country during the 2000s, particularly following Bulgaria's accession into the EU in 2007. Exports remain vital to the Bulgarian economy, with manufactures accounting for nearly 40% of goods and services exports in 2014. The working age population, which has been dropping by around 1.4% a year in recent years, is set to fall steadily over the coming decade.

### Balance of payments and structure of trade

Exports to EU account for over 66% of total exports, with sales to Germany 13% of total merchandise goods. Turkey is the country's second largest trading partner, accounting for 8% of total exports. Bulgaria's top exports are refined petroleum (6.4%) and refined copper and copper alloys (3.5%). The largest single source of Bulgaria's imports is Germany (12%), followed by Russia (10%).

### Policy

The country has a flat tax system, with a standard 10% rate on both personal and corporate income and a 20% VAT rate. The government had initially hoped that the lev (BGL), currently pegged against the euro, could join the ERM-II sometime in 2012 or 2013. But given the turmoil surrounding Greece and other peripheral eurozone members and mounting official doubts about the benefits of eventual eurozone membership, a much longer delay was inevitable. Although the current government is committed to reducing corruption, cracking down on criminality and increasing the efficient absorption of EU funds, its relationship with the EU remains difficult.

### Politics

The first free elections since 1931 were held in 1990 and were won by the Bulgarian Socialist Party (BSP). But the transition to democracy and a market economy after the collapse of communism proved difficult in the 1990s. As a result, the 2001 elections saw the return of the former King Simeon II as prime minister with his National Movement (NM) party. However, the liberal NM party saw its support evaporate subsequently, culminating in its failure to win any seats in the July 2009 election. At that poll, the previously ruling socialist-led coalition government of the BSP lost power to the centre-right GERB party led by former Sofia mayor, Boiko Borisov. As prime minister, he formed a minority government, bringing in former World Bank economist Simeon Djankov as his fiscally orthodox finance minister. The GERB administration lasted until February 2013, when nationwide protests over low living standards led to the resignation of Borisov and his whole cabinet. After three months of interim government, former finance minister Plamen Oresharski was appointed as the new prime minister of a Socialist-led minority government supported by the ethnic Turkish MRF until July 2014. Borisov resigned briefly in November 2016 following presidential elections that saw the ruling GERB candidate Tsetska Tsacheva defeated by BSP candidate Rumen Radev, but he again assumed the premiership after winning the general elections in March 2017.

# Country Economic Forecast | Bulgaria

## Data & Forecasts

<b>Key Indicators: Bulgaria</b>								
Percentage changes on a year earlier unless otherwise stated								
	Industrial production	CPI	PPI	Unemployment %	Consumer confidence % balance	Industrial confidence % balance	Exports goods (EUR)	Imports goods (EUR)
Jul	1.1	3.5	4.7	5.2	-19.9	-0.3	4.9	18.4
Aug	1.8	3.5	3.7	5.0	-18.4	0.0	2.1	0.6
Sep	0.2	3.6	3.6	4.8	-19.0	-0.3	-0.4	10.0
Oct	1.4	3.7	4.5	4.7	-22.8	0.8	8.1	15.1
Nov	1.9	3.1	3.4	4.6	-27.2	-0.3	1.7	4.4
Dec	-2.3	2.7	2.7	4.7	-24.5	1.4	-1.6	-7.5
<b>2019</b>								
Jan	2.9	3.0	1.4	5.0	-26.0	2.4	7.1	-0.4
Feb	5.7	3.2	3.9	5.1	-26.6	-0.8	21.2	15.1
Mar	2.5	3.6	4.6	4.9	-25.4	-3.5	6.9	4.1
Apr	3.1	3.7	4.3	4.7	-26.2	-1.3	6.2	0.5
May	0.6	3.5	2.8	4.5	-25.5	-0.2	7.5	0.6
Jun	-2.4	2.8	0.9	4.4	-24.8	-2.3	-2.5	-11.2
Jul	-	2.9	3.0	4.5	-24.3	1.1	-	-

<b>Financial Indicators: Bulgaria</b>								
Percentage changes on a year earlier unless otherwise stated								
	Overnight BNB rate %	10 yr govt bond yield %	Money supply (M3)	Stock price SOFIX	effective exch. rate 2010=100	Exchange rate BGN/US\$	Exchange rate BGN/EUR	Reserves minus gold Mil. US\$
Jul	0.00	0.92	10.4	630.0	101.6	1.67	1.96	26,196
Aug	0.00	0.81	9.5	635.3	102.9	1.69	1.96	26,224
Sep	0.00	0.78	9.2	627.8	103.3	1.68	1.96	26,980
Oct	0.00	0.74	9.7	610.5	102.6	1.70	1.96	25,769
Nov	0.00	0.75	9.3	592.2	102.0	1.72	1.96	25,780
Dec	0.00	0.72	8.8	593.2	102.0	1.72	1.96	27,059
<b>2019</b>								
Jan	0.00	0.72	10.0	572.7	102.8	1.71	1.96	26,232
Feb	0.00	0.68	10.4	579.6	102.5	1.72	1.96	26,473
Mar	0.00	0.67	10.4	583.2	102.0	1.73	1.96	26,421
Apr	0.00	0.50	11.1	577.3	102.1	1.74	1.96	26,132
May	0.00	0.48	9.1	571.0	102.5	1.75	1.96	26,013
Jun	0.00	0.32	7.8	579.3	101.7	1.73	1.96	26,817
Jul	0.00	0.43	7.9	581.0	102.0	1.74	1.96	26,540



# Country Economic Forecast | Bulgaria

BULGARIA		TABLE 1 SUMMARY ITEMS							
		Annual Percentage Changes, Unless Otherwise Specified							
	CONSUMERS EXPENDITURE	TOTAL FINAL EXPENDITURE	TOTAL FIXED INVESTMENT	REAL GDP	INDUSTRIAL PRODUCTION	UNEMPLOYMENT RATE (%)	AVERAGE EARNINGS	PRODUCER PRICES	CONSUMER PRICES
	(C)	(C+IF+GC+X)	(IF)	(GDP)	(IP)	(UP)	(ER)	(PPI)	(CPI)
YEARS BEGINNING Q1									
2017	4.55	4.77	2.62	3.80	3.82	6.17	10.57	4.98	2.06
2018	7.20	3.60	7.46	3.29	1.08	5.22	7.43	3.95	2.81
2019	3.43	3.65	3.68	3.48	2.62	4.90	8.28	3.22	3.03
2020	2.82	3.73	3.11	3.05	2.06	5.50	4.66	3.25	2.13
2021	1.85	2.49	2.35	2.60	1.94	5.99	5.26	2.90	2.08
2022	1.90	2.81	3.37	2.31	1.86	6.21	5.30	2.77	2.11
2017									
Q1	3.08	4.45	-2.27	3.85	3.51	6.87	9.83	5.18	1.65
Q2	4.90	4.51	3.95	3.82	5.19	6.33	10.36	4.25	2.27
Q3	5.16	5.72	2.34	4.02	3.98	5.83	10.59	5.38	1.58
Q4	5.04	4.41	6.63	3.52	2.65	5.63	11.43	5.12	2.74
2018									
Q1	7.02	4.47	9.71	3.51	1.84	5.73	7.06	3.17	2.01
Q2	8.02	3.46	6.63	3.36	1.19	5.47	8.07	5.10	2.58
Q3	8.29	2.75	7.02	3.12	1.00	5.00	7.68	4.02	3.52
Q4	5.52	3.75	6.55	3.16	0.31	4.67	6.94	3.51	3.14
2019									
Q1	4.37	4.43	2.55	3.50	3.67	5.00	12.13	3.30	3.28
Q2	2.55	2.89	2.27	3.29	1.93	4.50	7.16	2.68	3.34
Q3	2.62	3.04	5.69	3.52	1.81	4.90	8.93	3.51	2.90
Q4	4.20	4.23	4.22	3.59	3.09	5.20	5.20	3.40	2.60
2020									
Q1	3.50	3.35	4.23	3.11	0.67	5.31	3.31	3.57	2.26
Q2	3.51	4.94	3.92	3.22	2.26	5.43	4.85	3.41	2.13
Q3	2.42	4.36	2.59	3.02	2.81	5.56	5.22	3.12	2.07
Q4	1.87	2.32	1.77	2.86	2.52	5.70	5.23	2.93	2.09
2021									
Q1	1.86	2.33	2.14	2.75	2.22	5.83	5.24	3.09	2.02
Q2	1.84	2.47	2.26	2.64	2.00	5.95	5.25	2.86	2.04
Q3	1.84	2.54	2.42	2.55	1.85	6.05	5.26	2.84	2.14
Q4	1.85	2.61	2.59	2.45	1.70	6.12	5.27	2.82	2.15
2022									
Q1	1.89	2.82	2.75	2.40	1.75	6.17	5.28	2.80	2.13
Q2	1.91	2.88	3.20	2.34	1.83	6.20	5.29	2.78	2.11
Q3	1.90	2.75	3.59	2.27	1.89	6.23	5.30	2.76	2.09
Q4	1.87	2.79	3.92	2.24	1.96	6.25	5.31	2.74	2.10

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BULGARIA		TABLE 2 SUMMARY ITEMS								
	TRADE BALANCE (US\$ BN)	CURRENT ACCOUNT (US\$ BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (LEVA MN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE	LONG-TERM INTEREST RATE	REAL SHORT-TERM INTEREST RATE	EXCHANGE RATE PER EURO	EXCHANGE RATE PER US DOLLAR
	(BVIS/1000)	(BCUS/1000)	(BCU%)	(GB)	(GB*100/GDPI)	(RSH)	(RSH - RSH US)	(Note 1)	(RXEURO)	(RXD)
YEARS BEGINNING Q1										
2017	-0.9	1.8	3.1	845.2	0.8	-0.1	-2.2	-1.4	1.96	1.74
2018	-2.7	3.0	4.6	137.0	0.1	-0.2	-3.0	-2.5	1.96	1.66
2019	-3.0	2.1	3.2	-2346.4	-2.0	0.0	-3.1	-2.4	1.96	1.74
2020	-4.0	2.3	3.4	-288.3	-0.2	0.2	-1.9	-1.7	1.96	1.72
2021	-4.5	2.5	3.3	76.8	0.1	0.5	-1.6	-1.4	1.96	1.68
2022	-5.0	2.4	3.0	309.7	0.2	0.8	-1.3	-1.3	1.96	1.64
2017										
Q1	-0.3	-0.2	-1.3	1058.1	4.3	-0.1	-1.1	-1.7	1.96	1.84
Q2	-0.2	0.3	2.1	688.6	2.7	-0.1	-1.3	-2.3	1.96	1.78
Q3	0.0	2.5	16.4	674.2	2.7	-0.1	-1.4	-1.7	1.96	1.67
Q4	-0.4	-0.8	-4.9	-1575.7	-6.1	-0.2	-1.6	-2.9	1.96	1.66
2018										
Q1	-0.8	0.0	0.0	592.7	2.3	-0.2	-2.1	-2.2	1.96	1.59
Q2	-0.8	0.3	1.9	1121.2	4.2	-0.2	-2.6	-2.8	1.96	1.64
Q3	-0.6	2.6	16.1	950.6	3.5	-0.2	-2.6	-3.7	1.96	1.68
Q4	-0.5	0.0	0.2	-2527.5	-9.3	-0.2	-2.8	-3.3	1.96	1.71
2019										
Q1	-0.4	0.6	3.7	1806.7	6.1	-0.1	-2.8	-3.4	1.96	1.72
Q2	-0.9	0.5	2.9	784.1	2.7	-0.1	-2.6	-3.4	1.96	1.74
Q3	-0.9	0.6	3.3	-6406.9	-22.3	0.0	-2.1	-2.9	1.96	1.75
Q4	-0.8	0.5	2.8	1469.7	5.1	0.0	-2.0	-2.6	1.96	1.75
2020										
Q1	-0.9	0.7	4.3	1344.0	4.6	0.1	-1.8	-2.1	1.96	1.74
Q2	-1.0	0.7	4.2	1124.3	3.8	0.2	-1.7	-1.9	1.96	1.73
Q3	-1.0	0.6	3.2	589.3	2.0	0.3	-1.6	-1.8	1.96	1.72
Q4	-1.1	0.3	1.8	-3345.9	-11.0	0.3	-1.5	-1.7	1.96	1.71
2021										
Q1	-1.1	0.7	3.6	1371.8	4.5	0.4	-1.5	-1.6	1.96	1.70
Q2	-1.1	0.7	4.0	1178.9	3.8	0.5	-1.4	-1.5	1.96	1.69
Q3	-1.1	0.7	3.5	880.0	2.8	0.6	-1.3	-1.6	1.96	1.68
Q4	-1.1	0.4	2.2	-3353.9	-10.6	0.6	-1.2	-1.5	1.96	1.67
2022										
Q1	-1.2	0.7	3.6	1478.8	4.6	0.7	-1.3	-1.4	1.96	1.66
Q2	-1.2	0.8	3.9	1276.7	3.9	0.8	-1.3	-1.3	1.96	1.65
Q3	-1.3	0.6	3.1	965.9	2.9	0.9	-1.3	-1.2	1.96	1.64
Q4	-1.3	0.3	1.4	-3411.6	-10.3	0.9	-1.4	-1.2	1.96	1.63

Note 1: REAL INTEREST RATE = Nominal interest rate (RSH) - % change in CPI

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# Country Economic Forecast | Bulgaria

## Key Facts

### Politics

Head of state: President Rumen RADEV  
 Head of government: Prime Minister B. BORISOV  
 Political system: Parliamentary democracy  
 Date of next presidential election: 2021  
 Date of next legislative election: 2021  
 Currency: Lev (BGL)

### Long-term economic & social development

	1980	1990	2000	2017*
GDP per capita (US\$)	2239	2367	1610	8228
Inflation (%)	1.4	-9.3	10.3	2.1
Population (mn)	8.88	8.84	8.16	7.07
Urban population (% of total)	62.1	66.4	68.9	74.7
Life expectancy (years)	71.2	71.6	71.7	74.8

Source : Oxford Economics & World Bank

### Structure of GDP by output

	2017
Agriculture	4.1%
Industry	24.7%
Services	71.3%

Source : World Bank

\* 2017 or latest available year

### Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	BBB (Positive)	BBB (Positive)
Moody's	Baa2 (Stable)	Baa2 (Stable)
S&P	BBB- (Positive)	BBB- (Positive)

### Structural economic indicators

	1990	1995	2000	2017*
Current account (US\$ million)	-1710	-198	-416	1850
Trade balance (US\$ million)	-2113	-524	-1472	-865
FDI (US\$ million)	68	82	990	2564
Debt service (US\$ million)	1375	1140	1282	8720
Debt service (% of exports)	19.4	16.5	17.5	22.2
External debt (% of GDP)	52.8	55.0	91.3	66.4

Oil production (000 bpd)	4	1	1	1
Oil consumption (000 bpd)	192	131	102	95

Source : Oxford Economics / World Bank / EIA

### Destination of goods' exports 2018

European Union	67.8%
Turkey	7.6%
Russia	1.4%
China	2.7%
Other	20.6%

Source : IMF DOTS



Source : CIA Factbook

Location : Southeastern Europe, bordering the Black Sea, between Romania and Turkey (CIA Factbook)

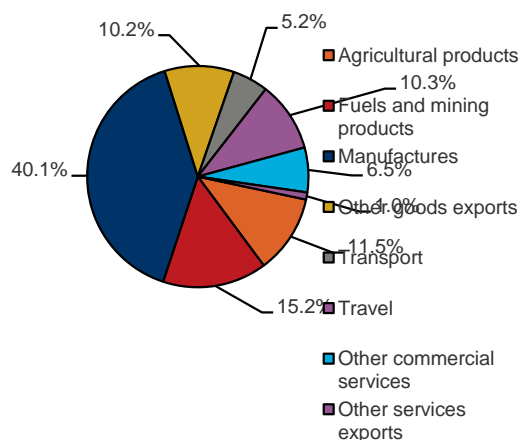
### Corruption perceptions index 2018

	Score
Developed economies (average)	74.6
Emerging economies (average)	38.2
<b>Bulgaria</b>	<b>42.0</b>
Emerging Europe	45.3

Source: Transparency International

Scoring system 100 = highly clean, 0 = highly corrupt

### Composition of goods & services exports 2018



Source : WTO

Overall risk for Bulgaria: 4.4/10

<b>Factors affecting risk scores: Bulgaria</b>							
<b>Overall risk: 4.4/10</b>							
	2017	2018	2019	2020	2021	2022	2023
<b>Market demand rating: 3.0/10</b>							
Domestic demand, % y/y	4.9	6.3	1.9	3.8	1.8	2.2	2.2
Government balance, % of GDP	0.8	0.1	-2.0	-0.2	0.1	0.2	0.4
Gross government debt, % of GDP	24.0	21.0	20.2	20.1	20.1	20.1	20.1
Policy interest rate, %	0.00	0.00	0.00	0.00	0.22	0.47	0.72
Domestic credit, % of GDP	54.0	54.3	54.4	54.4	54.4	54.4	54.4
Fixed investment, % of GDP	18.5	19.1	18.1	18.1	18.0	18.2	18.4
Output gap, % of GDP	0.0	0.2	0.2	0.2	0.2	0.1	0.0
Real GDP per capita, 2015 US\$	7649	7958	8295	8613	8907	9187	9466
<b>Market cost rating: 5.0/10</b>							
Nominal unit wage costs, 2010=100	140.4	146.1	154.2	155.6	157.7	160.8	164.2
Real fuel imports % total imports	-	-	-	-	-	-	-
Energy use per unit of GDPPPP	138.7	134.3	129.9	125.5	121.1	116.6	112.2
Exchange rate, average, LCU per US\$	1.74	1.66	1.74	1.72	1.68	1.64	1.61
Output gap, % of GDP	0.0	0.2	0.2	0.2	0.2	0.1	0.0
Unemployment rate, %	6.2	5.2	4.9	5.5	6.0	6.2	6.3
Real GDP per capita, 2015 US\$	7649	7958	8295	8613	8907	9187	9466
<b>Exchange rate rating: 3.1/10</b>							
Exchange rate, average, LCU per US\$	1.74	1.66	1.74	1.72	1.68	1.64	1.61
Exchange rate, avg, PPP, LCU per US\$	0.66	0.66	0.68	0.67	0.67	0.67	0.67
Current account of BOP, % of GDP	3.1	4.6	3.2	3.4	3.3	3.0	2.4
External debt, % of GDP	66.4	61.4	60.3	61.4	58.6	56.0	53.7
Policy interest rate, %	0.00	0.00	0.00	0.00	0.22	0.47	0.72
FX reserves, months of imports	9.1	9.2	8.4	8.6	8.6	8.6	8.6
<b>Sovereign credit rating: 4.0/10</b>							
GDP, real, % y/y	3.8	3.3	3.5	3.1	2.6	2.3	2.2
GDP per capita, PPP, US\$	21115	21967	22897	23775	24586	25359	26131
Government balance, % of GDP	0.8	0.1	-2.0	-0.2	0.1	0.2	0.4
Gross government debt % of GDP	24.0	21.0	20.2	20.1	20.1	20.1	20.1
<b>Trade credit rating: 7.0/10</b>							
GDP, real, % y/y	3.8	3.3	3.5	3.1	2.6	2.3	2.2
External debt, % of GDP	66.4	61.4	60.3	61.4	58.6	56.0	53.7
GDP per capita, PPP, US\$	21115	21967	22897	23775	24586	25359	26131