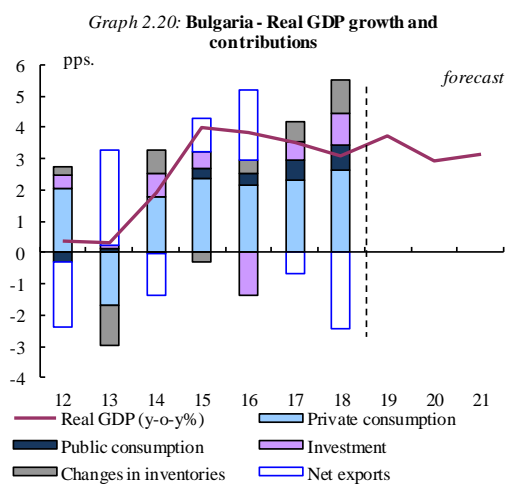


## 2.20. BULGARIA

Real GDP growth accelerated from 3.1% in 2018 to an estimated 3.7% in 2019, despite headwinds from relatively weaker external demand and higher uncertainty abroad. Consumption remained the main growth driver, particularly in the first half of the year. Favourable labour market conditions and rising real disposable incomes underpinned the positive private consumption dynamics. Although financing conditions remained favourable and capacity utilisation in the manufacturing sector was high, investment contributed only marginally to GDP growth. Exports were negatively affected by a deterioration in foreign demand and became more volatile. Imports stagnated in real terms, curtailed by reduced inventories and less dynamic investment in productive equipment.

Real GDP growth is expected to slow significantly to 2.9% in 2020 and 3.1% in 2021 due to weaker domestic demand growth. Although private consumption is forecast to remain the key growth driver, its contribution to economic expansion is set to decline on the back of lower employment growth. Investment is unlikely to compensate for the slower consumption growth in 2020 and is set to pick up only slightly in 2021, along with somewhat stronger export growth. An upward domestic risk to the forecast stems from a recent recovery in consumer sentiment that could result in better-than-expected private consumption.



Headline inflation in 2019 settled at 2.5%. It was influenced by exogenous factors, such as the out-break of African swine fever, which pushed up prices of unprocessed food, and fluctuations in fuel prices. Unprocessed food and energy prices are expected to sustain inflation around 2.3% in 2020, while the assumed path of oil prices is set to hold inflation at 1.9% in 2021.