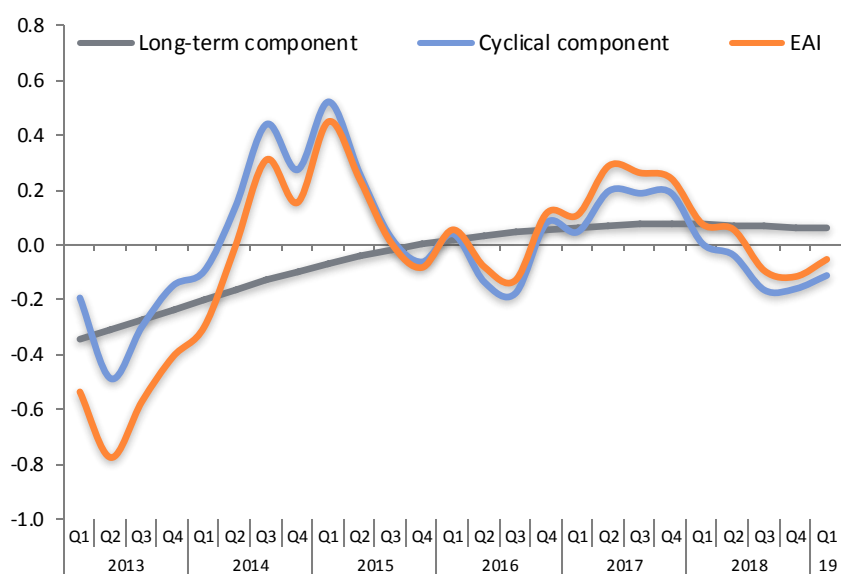


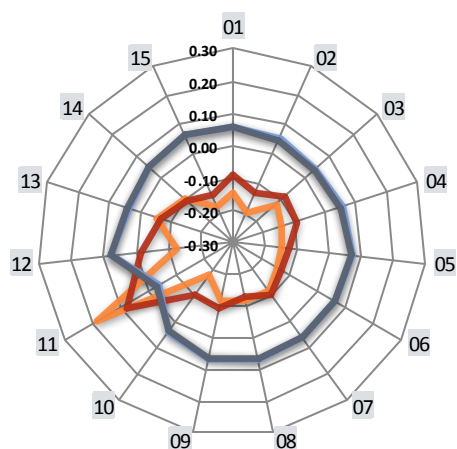
# ECONOMIC ACTIVITY INDICATOR IN BULGARIA

## 1 EAI BY COMPONENTS



Source: MF

## 2 DECOMPOSITION OF EAI VARIABLES



— Cyclical component Q4'18  
— Cyclical component Q1'19  
— Long-term component Q4'18  
— Long-term component Q1'19

- 1 GDP
- 2 Industrial production index
- 3 Construction index
- 4 Retail trade turnover
- 5 Business climate
- 6 Industrial orders
- 7 Industrial price expectations
- 8 Industrial employment expectations
- 9 Industrial capacity utilisation
- 10 M1
- 11 Long-term loan interest rates in BGN
- 12 VAT revenues
- 13 Petrol price index
- 14 Non-energy commodity price index
- 15 EU28 GDP

Source: MF

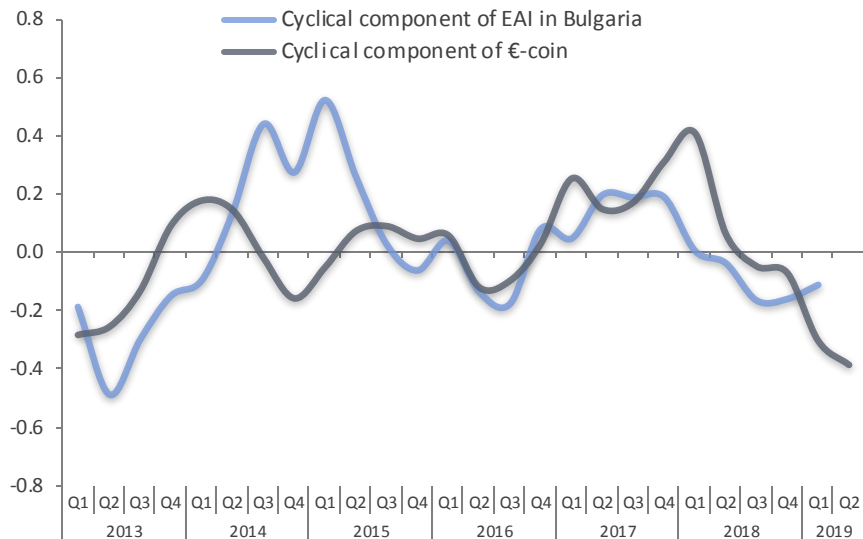
## EAI improved in Q1

In Q1 2019 EAI<sup>1</sup> improvement reflected the less negative cyclical component compared to Q4 2018, while the long-term economic position remained relatively unchanged.

The development of the overall cyclical position was supported by the improvement of most of the input variables, in particular VAT revenues, industrial production, retail trade turnover, M1 and the BGN long-term loan interest rate. Thus, the quarter-earlier expectations for higher negative influence of the cyclical component and further EAI decrease did not materialise in Q1.

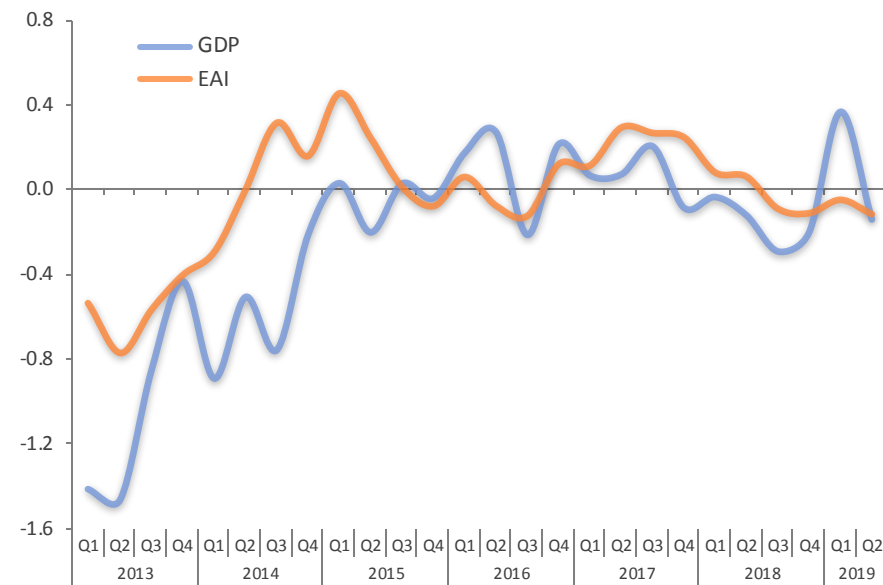
Despite the reported cyclical improvement, part of the variables made a decline in their cyclical positions, namely the international prices of petroleum and non-energy commodities indices, and the industrial employment expectations.

### 3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



Source: MF, CERP

### 4 EAI AND GDP\*



\* To achieve better compatibility, real GDP growth data has been standardized by subtracting the mean and dividing by the standard deviation of the series.

\*\* Preliminary estimates for EAI and GDP for Q2'19.

Source: MF

In Q1 the estimated cyclical component of €-coin<sup>2</sup> reached its lowest level since 2013 and remained negative for two quarters in a row. The indicator was affected by the prolonged decline in business and consumer confidence, and the further weakening of the industrial economic activity. These factors continue to be present in April-June period and are expected to have a restrictive influence on the cyclical EAI position, the latter remaining negative in Q2. However, the expected negative repercussion would be partly offset by the economic growth acceleration in Q1 of the countries outside the euro area.

The preliminary estimate for EAI in Q2 presents a decrease. This is expected to be largely on account of the lower industrial capacity utilization, the less optimistic assessment of the country's business climate and the weakened retail trade turnover dynamics. The EAI downturn is anticipated to correspond to the expected GDP dynamics.

<sup>1</sup> See "Rationale and Methodology of the EAI"

<sup>2</sup> For more detailed data and methodological notes on the euro area cyclical indicator €-coin, visit <http://eurocoin.cepr.org/>. As this is a monthly indicator, data have been averaged to make comparison with the quarterly EAI possible. In addition, since €-coin excludes only short-term (seasonal) fluctuations in euro area business activity, it was also necessary to eliminate the long-term trend in the time series, using the Hordrick-Prescott filter.

This issue is based on statistical data published up to June 30, 2019. Contents may be used without special permission; however, due acknowledgement is requested. The estimates and comments should not be regarded as recommendation for investment decisions.

ISSN 2367-4741

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