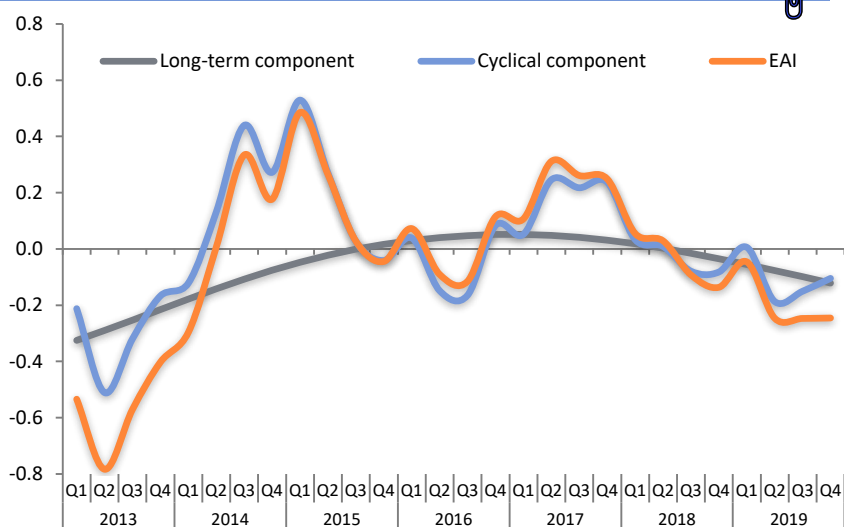


# ECONOMIC ACTIVITY INDICATOR IN BULGARIA

## 1 EAI BY COMPONENTS

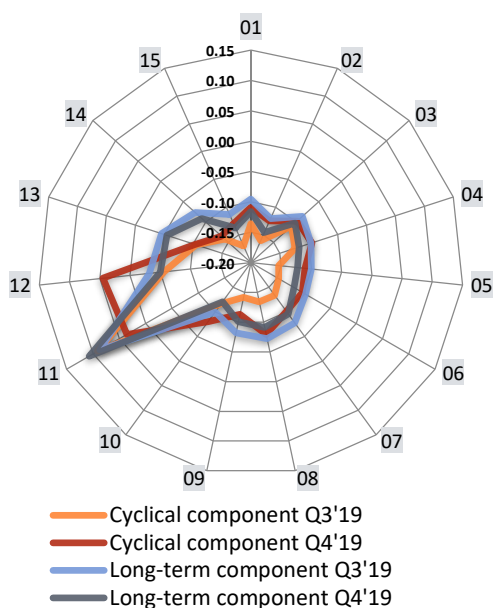


Source: MF

## EAI remained stable

EAI<sup>1</sup> stayed at almost the same level for three quarters in a row. In Q4 2019, its value remained still negative and relatively low, close to the level recorded in the beginning of 2014. Continuing the trend under way for the last quarter, the cyclical component of EAI succeeded to offset the decrease of the long-term position and contributed to the EAI stabilisation. The favourable performance of the cyclical component was supported by all EAI variables.

## 2 DECOMPOSITION OF EAI VARIABLES

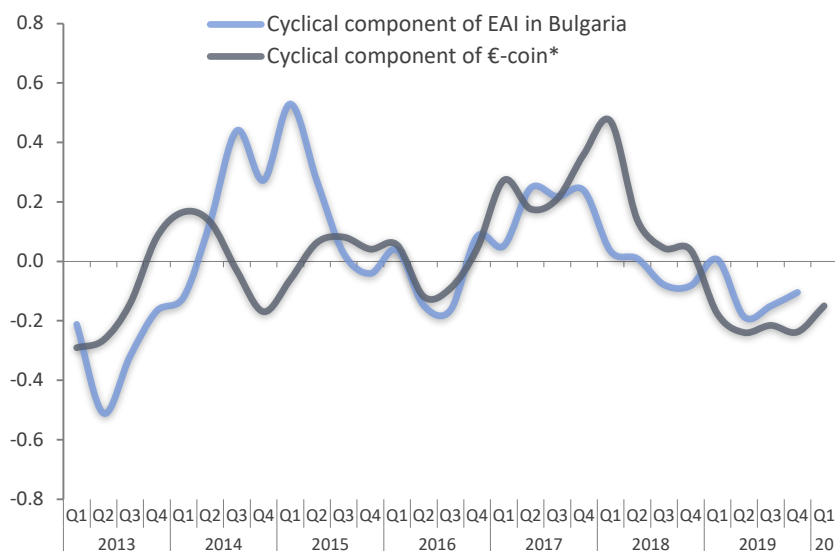


|    |                                     |
|----|-------------------------------------|
| 1  | GDP                                 |
| 2  | Industrial production index         |
| 3  | Construction index                  |
| 4  | Retail trade turnover               |
| 5  | Business climate       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

Source: MF

The main positive influence on the indicator resulted from more favourable industrial business assessments related to employment and price expectations, provision of industrial orders and overall business climate. The contribution of VAT revenue was also positive, still lower than the previous quarter. The indices of industrial production and construction, international prices of crude oil and non-energy commodities and industrial capacity utilization still had negative impact EAI dynamics.

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

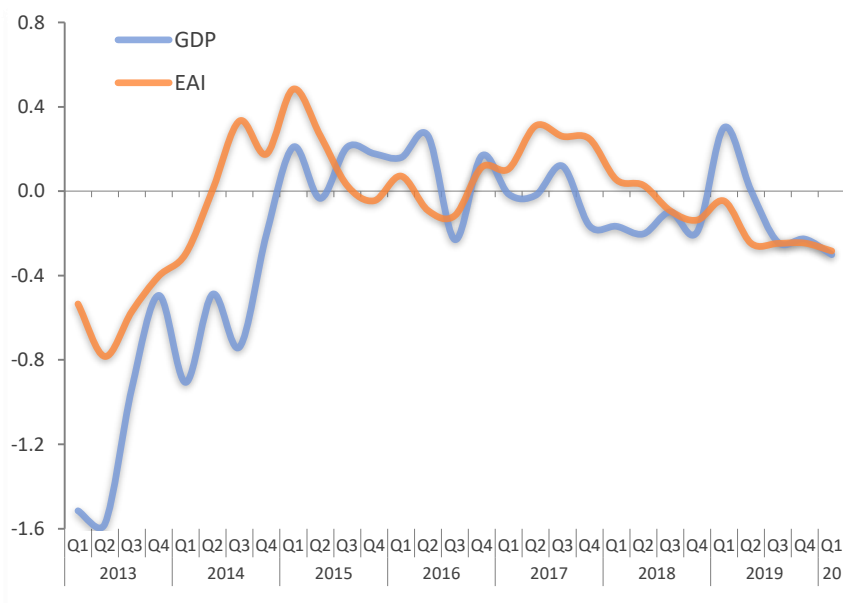


\* The estimate of the cyclical component of €-coin is based on data for January-March

Source: MF, CERP

The cyclical position of EAI was in line with the recent cyclical fluctuations in the euro area. Since November, the estimated cyclical component of €-coin<sup>2</sup> gained momentum, on account of the good stock market performance, which was partially offset by the persistent pessimism of the industrial sector. In the first two months of 2020 €-coin benefited further from the favourable trends in employment and households spending. In March, however, €-coin sharply decreased. The reduction observed so far only reflects the initial effects of the fall in share prices and the widespread deterioration in business and consumer confidence that occurred in the second half of March in connection with the spread of the COVID-19 pandemic across euro area countries.

### 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 Q1'20.

Source: MF

According to preliminary estimates EAI is expected to remain stable again in Q1 2020, as only a small subset of the data available in March will be able to capture the impact coming from the ongoing pandemic on economic activity.

<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 Hodrick-Prescott filter.