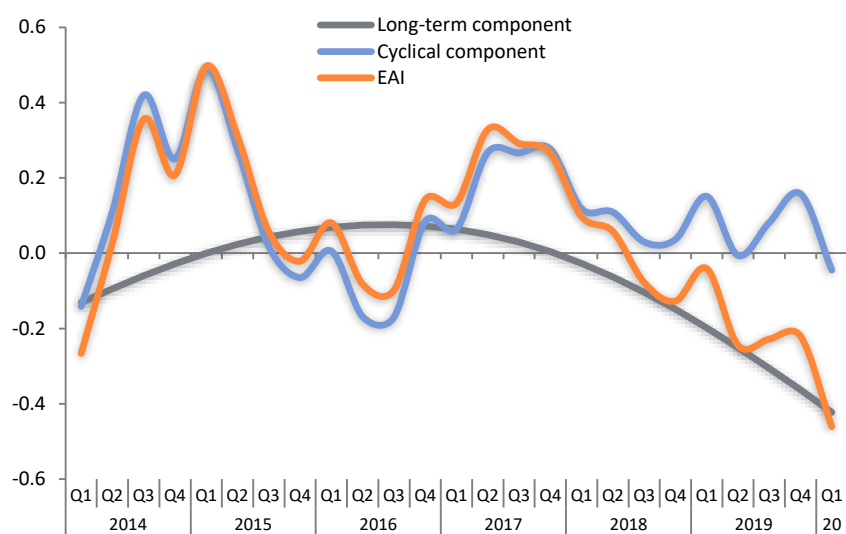


# ECONOMIC ACTIVITY INDICATOR IN BULGARIA

## 1 EAI BY COMPONENTS

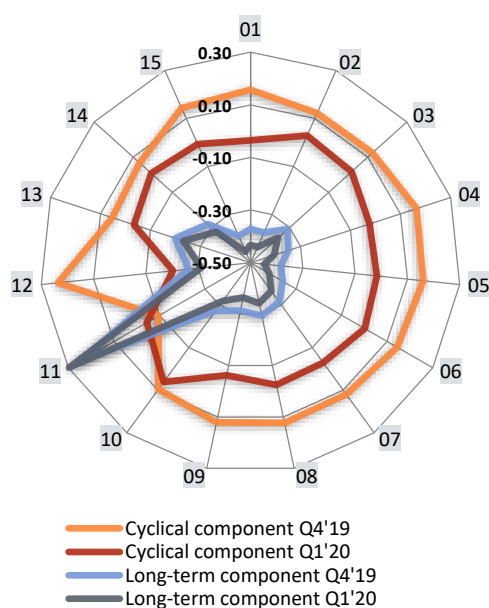


Source: MF

## EAI contracted sharply in Q1

After keeping the same level for the last three quarters, EAI<sup>1</sup> dropped from -0.22 to -0.47 in the first quarter of 2020, due to the imposed containment measures against the spread of COVID-19. Both its cyclical and long-term components deteriorated. The inclusion of the latest data also led to a downward revision of the long-term component of EAI.

## 2 DECOMPOSITION OF EAI VARIABLES

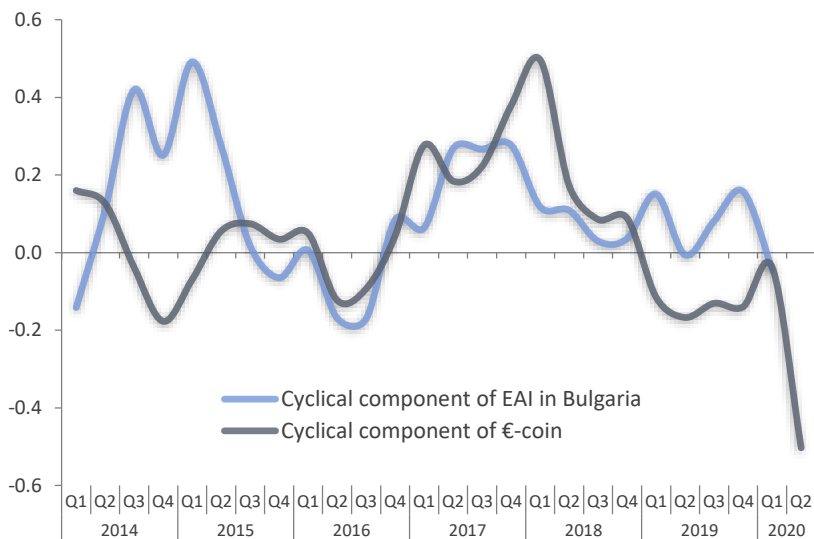


Source: MF

- 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

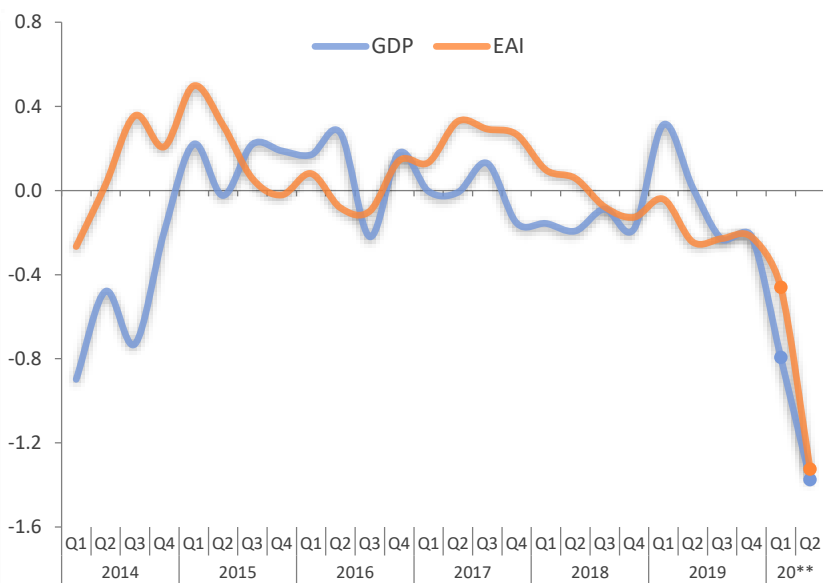
The main negative influence on EAI came from the lower VAT revenues cyclical position, reflecting the slowdown in domestic receipts. The latter corresponded to the registered cyclical decline in the retail trade turnover and the less favourable sentiment indicators' assessments, such as the country's business climate, provision of industrial orders, employment and price expectations in manufacturing. These developments were also in line with the estimated cyclical decrease in the external economic activity, presented with the real GDP growth in EU 27. In Q1, the cyclical components of the long-term loan interest rate in BGN and monetary aggregate M1 showed no significant changes compared to a quarter earlier.

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



Source: MF, CERP

### 4 EAI AND GDP\*



Source: MF

\* 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 Q2'20. Q2 estimates of the variables, making up EAI, at the current period are based on the reported data for April and May, in particular industrial production, construction index, retail trade turnover and M1 (based on April data) and VAT revenues (based on the April and May data). While the Q2 reading of the industrial capacity utilisation is already available, the rest of the variables have been taken with a one-lag period and their impact on EAI is based on Q1 data.

The cyclical positions of EAI and €-coin<sup>2</sup> were both close to 0 in the first quarter. With incoming data for Q2, however, €-coin reported a sharp fall, reaching its lowest level since mid-2012. The main factors were the contraction in activity in the euro area in the first quarter and the collapse in the confidence of consumers and firms since March. This comes as a result of the spread of the pandemic in the euro-area countries. In May and June, the negative performance of €-coin gathered strength, particularly regarding the decline in industrial production. Recent developments in the euro area could be expected to curb the domestic economic activity in Q2.

In Q2, EAI is estimated to decline further to its lowest level since 2010. All variables, included in the EAI, will contribute to the expected downward trend. In assessing the full scale of the ongoing pandemic on economic activity it is assumed that Q2 estimates of the variables, making up EAI, at the current period are based on the reported data for April and May.

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

<sup>2</sup> For more detailed data and methodological notes on €-coin, monthly estimates of the economic activity in the euro area visit <http://eurocoin.cepr.org/>. Data have been averaged to make the 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.