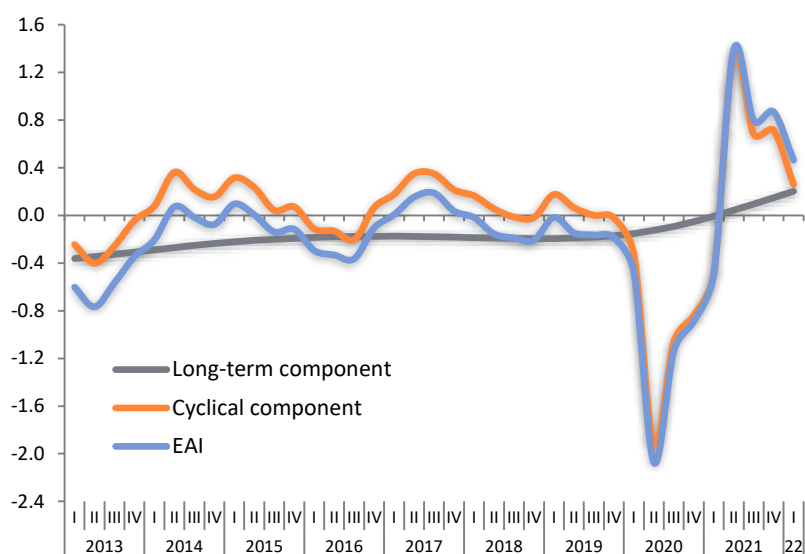# ECONOMIC ACTIVITY INDICATOR IN BULGARIA
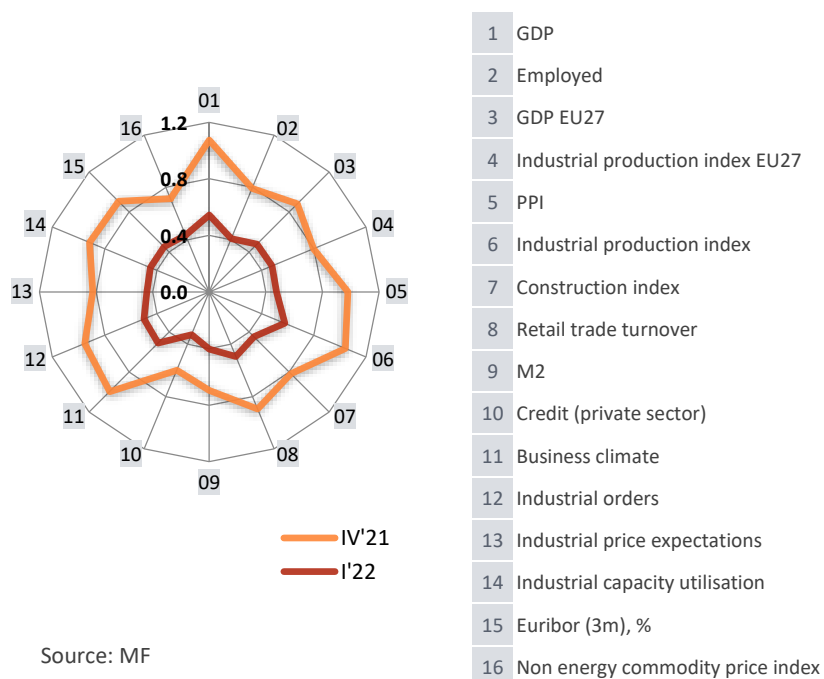
## EAI dips in Q1

## 1  EAI BY COMPONENTS*



Source: MF

\*  Preliminary estimate of EAI by components in Q4'21

## 2  DECOMPOSITION OF EAI VARIABLES



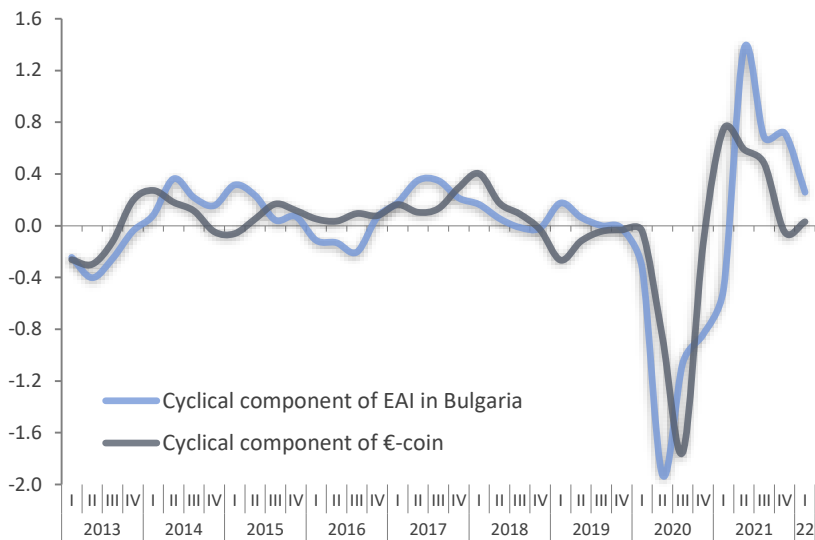| | |
|---|---|
| 1 | GDP |
| 2 | Employed |
| 3 | GDP EU27 |
| 4 | Industrial production index EU27 |
| 5 | PPI |
| 6 | Industrial production index |
| 7 | Construction index |
| 8 | Retail trade turnover |
| 9 | M2 |
| 10 | Credit (private sector) |
| 11 | Business climate |
| 12 | Industrial orders |
| 13 | Industrial price expectations |
| 14 | Industrial capacity utilisation |
| 15 | Euribor (3m), % |
| 16 | Non energy commodity price index |

Source: MF

In the first quarter of 2022 the Economic Activity Indicator[1] (EAI) was estimated at 0.46, down from 0.87 a quarter ago. The composite indicator continues to point to economic expansion but slows down due to the ongoing decline in the cyclical component. At the same time, its long-term position improved for a fourth consecutive quarter.

The decline in the indicator was due to deterioration among all components by a relatively equal negative contribution. The lower level reflected the rising energy prices, which worsened managers' expectations about the business situation in the country as well as prices, new orders and capacity utilization in industry. Data on most of the indicators cover the period prior to the Russian invasion in Ukraine, therefore still don't reflect the economic impact of the conflict. The available figures in March pointed to deteriorating economic dynamics - worsened business climate, higher Euribor and rising international non-energy prices.
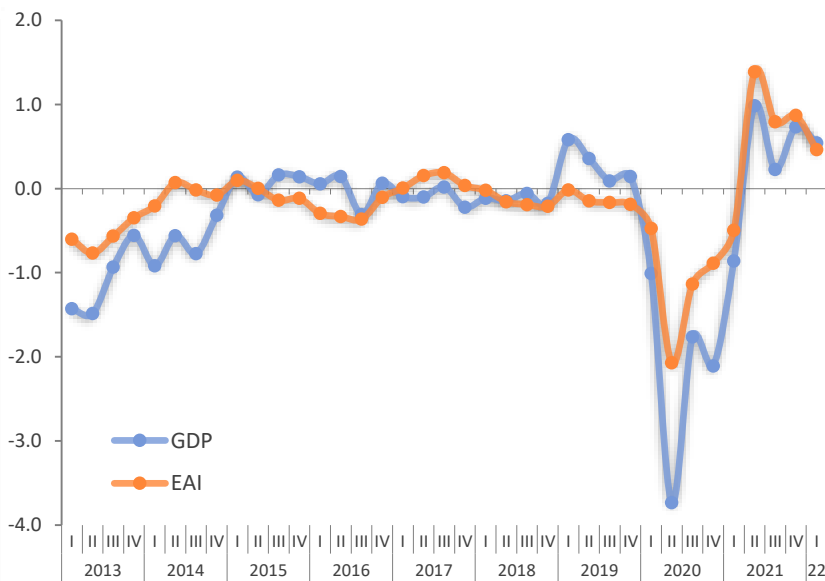
## 3  ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



Cyclical component of EAI in Bulgaria
Cyclical component of €-coin

Source: MF, CERP

## 4  EAI AND GDP*



GDP
EAI

Source: MF

\* Preliminary estimates for EAI and GDP in Q1'22. To achieve better compatibility, real GDP growth data has been standardized by subtracting the mean and dividing by the standard deviation of the series.

The EAI cyclical position followed a downward development, but it was in positive territory. At the same time, the estimated cyclical position of €- coin[2] in the first quarter of 2022 remained relatively unchanged compared to the last three months of the previous year. Thus, the cyclical positions of EAI and €- coin were both close to 0. Similar to EAI, the composite indicator for the euro area in Q1 was based on a set of variables mostly recorded prior to the Russian invasion of Ukraine. € -coin marked more significant deterioration in January, while it was positively affected by the improvement in firms' assessments of the economy in February and March.

The preliminary estimate for EAI indicates a slowdown of real GDP growth rate in Q1 as compared to the last quarter of the previous year.