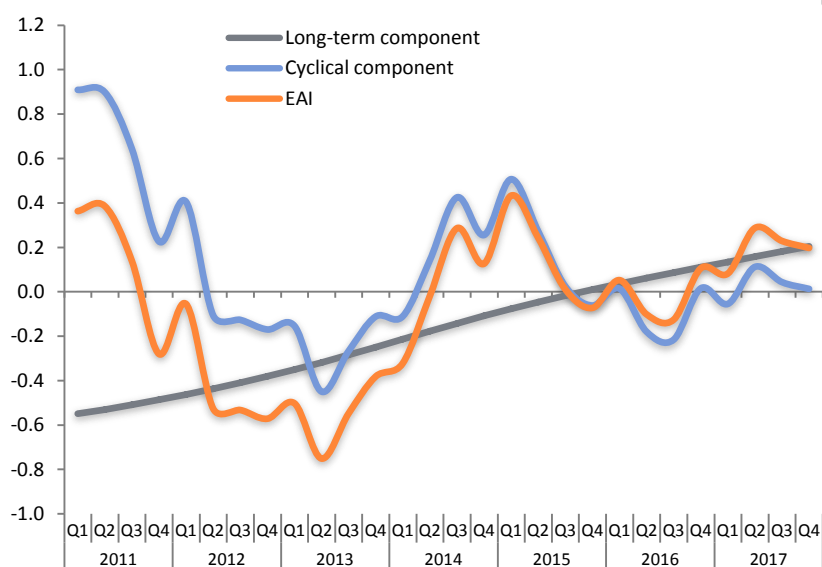


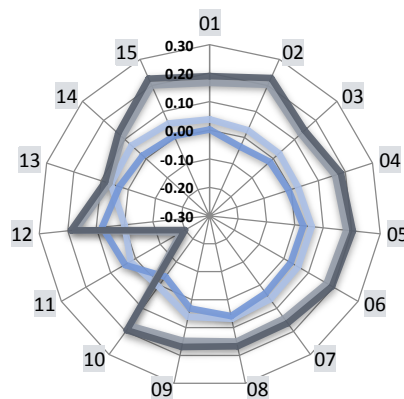
# ECONOMIC ACTIVITY INDICATOR IN BULGARIA

## 1 EAI BY COMPONENTS



Source: MF

## 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 rates in BGN
- 12 VAT revenues
- 13 Petrol price index
- 14 Non-energy commodity price index
- 15 EU28 GDP

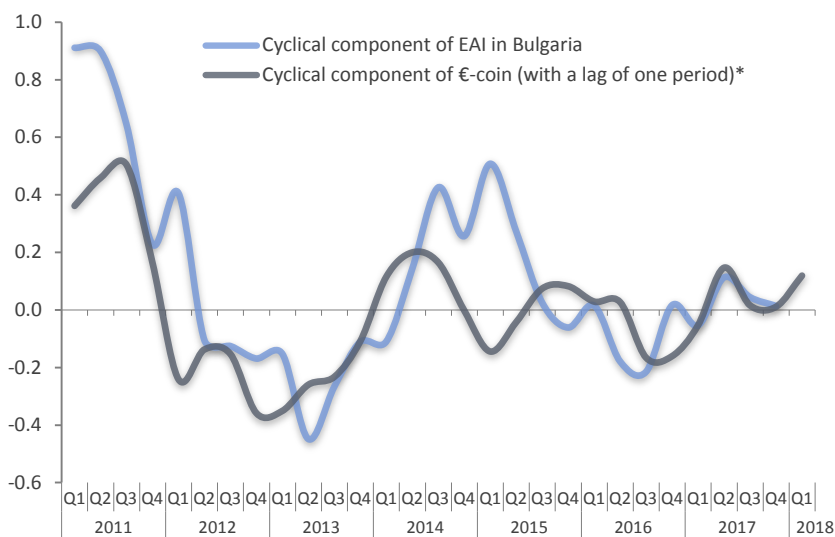
Source: MF

EAI decelerated for a second quarter in a row

In Q4 2017, EAI<sup>1</sup> fell to 0.20 from 0.23 in Q3. Its positive value was largely determined by the long-term economic position. It further improved, while the influence of the cyclical component came insignificant.

All variables contributed to the downward trend of EAI, excluding VAT revenues. The latter went up driven by the substantial growth in receipts from import in line with the domestic demand expansion. The EU 28 economic activity also improved but the lower demand of Bulgarian goods and services was reflected in the weakened EU import dynamics, and restrained the country's economic growth. This materialized in a decrease of the EAI cyclical position to reach a value close to 0. Industrial production index which is closely linked to export was affected the most and this was accompanied by lower growth rate of non-energy commodities prices.

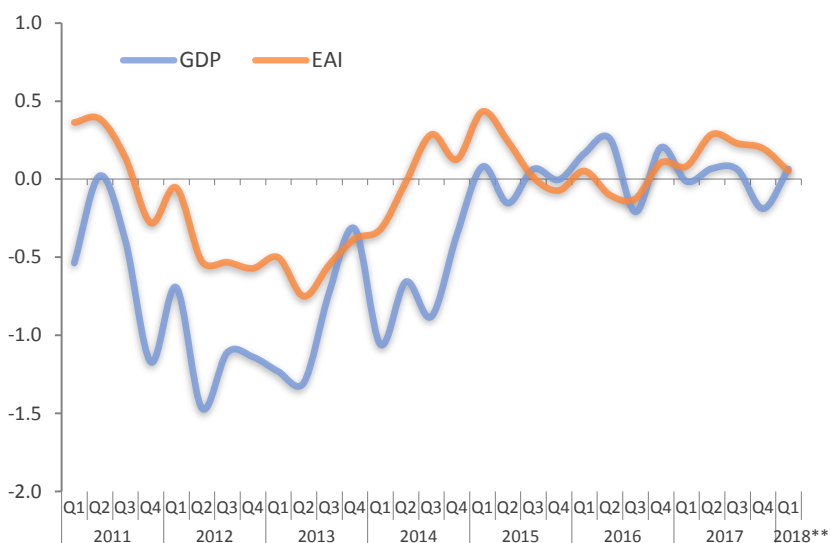
### 3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



\* Correlation is estimated for the period Q1'02 - Q4'17.

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 Q1'18.

Source: MF

The expectations from a quarter earlier that the contribution of the cyclical component to EAI will narrow materialized in Q4. The still subdued cyclical position of the euro area in July-September evidenced by the composite indicator €-coin<sup>2</sup> had a restrictive effect on the EAI cyclical component. Since October 2017, however, €-coin gained momentum due to the strengthening industrial production and the more favourable confidence assessments of consumers and the business.

In Q1 2018, EAI is estimated to decrease compared to the previous quarter. Lower contributions are envisaged from the external environment and the related domestic activity variables, such as industrial production index, capacity utilization and expectations for selling prices and employment in the sector.

<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.