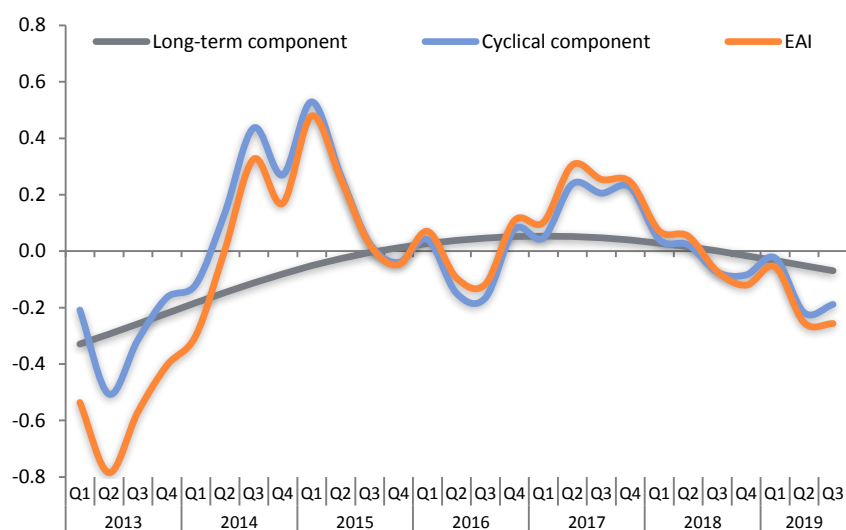


ECONOMIC ACTIVITY INDICATOR IN BULGARIA

1 EAI BY COMPONENTS

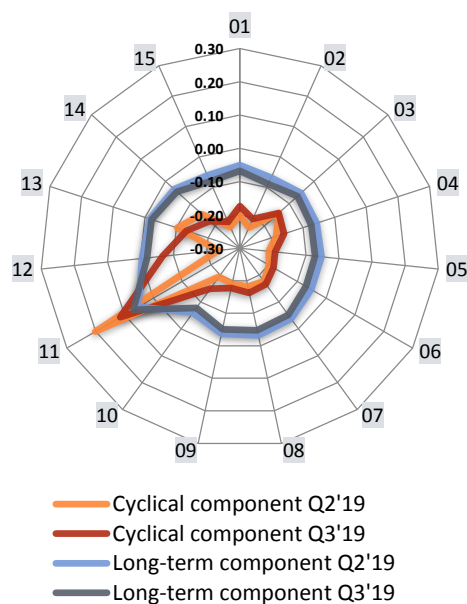


Source: MF

**EAI cyclical position
improved**

In Q3 2019 the cyclical component of EAI¹ remained negative but its value improved compared to a quarter earlier. This succeeded to offset the decrease of the long-term position and contributed to the EAI stabilisation at the level of Q2.

2 DECOMPOSITION OF EAI VARIABLES

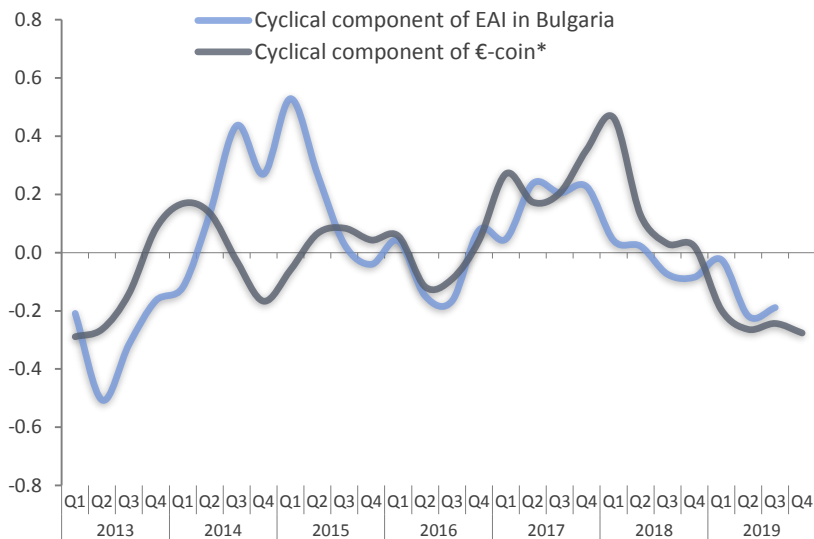


- 1 GDP
- 2 Industrial production index
- 3 Construction index
- 4 Retail trade turnover
- 5 Business climate
- 6 Industrial orders
- 7 Industrial price expectations
- 8 Industrial employment expectations
- 9 Industrial capacity utilisation
- 10 M1
- 11 Long-term loan interest rate in BGN
- 12 VAT revenues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

Source: MF

The favourable performance of the cyclical component was supported by almost all EAI variables. The largest positive contribution had VAT revenues due to higher receipts from transactions in the country, in line with growth of consumption. Financial indicators also made strong influence on the cyclical development, followed by the industrial production index and the business climate indicators in manufacturing. The latter corresponded to the improvement of the cyclical position of EU 28 GDP. Some worsening in the cyclical component has been registered only by the indexes of international prices of petrol and non-energy commodities.

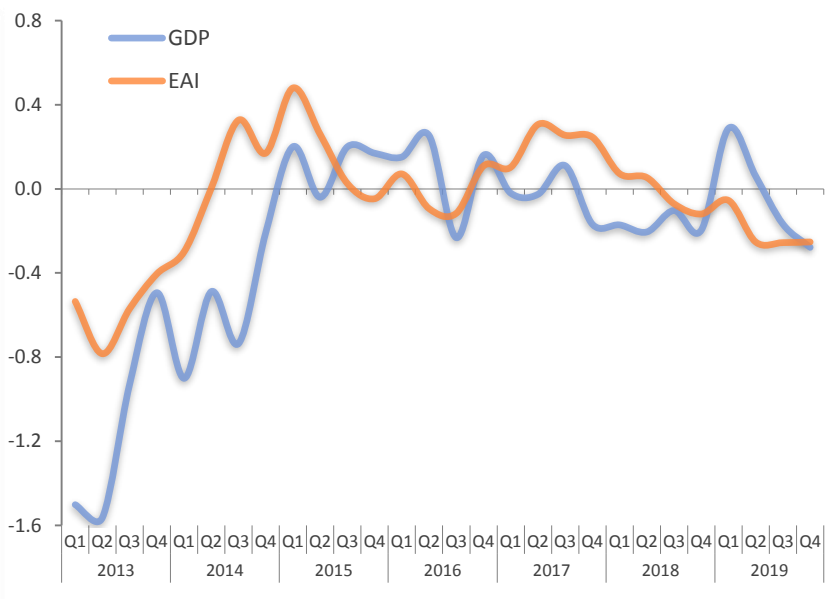
3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



* The estimate of the cyclical component of €-coin is based on data for October and November

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 Q4'19.

Source: MF

In Q3 the degree of synchronisation between the cyclical component of EAI and €-coin² in the current period continued to strengthen.

Further to the expectations on a quarter earlier, the recent cyclical EAI dynamics corresponded to the €-coin² improvement in Q3. The cyclical position of the euro area gained momentum due to more optimistic confidence assessments of consumers and the rise in new car registrations. In November the € - coin indicator made a slight increase, confirming the modest expansion in the euro area economic activity.

Nevertheless, the estimated cyclical position of the €-coin remains subdued following the persistent weakness in manufacturing. This is relevant to the whole 2019 when the estimated cyclical component of €-coin fell to its lowest levels since 2013. The latter is expected to curb the further improvement of the EAI cyclical component in Q4.

The EAI preliminary estimate is still negative in Q4 but remains close to Q3 value.

¹ See "Rationale and Methodology of the EAI"

² 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.