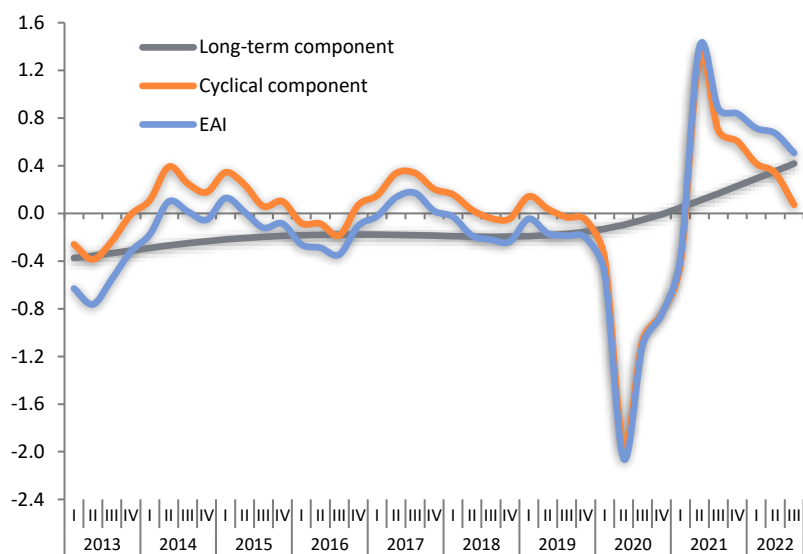


ECONOMIC ACTIVITY INDICATOR IN BULGARIA

1 EAI BY COMPONENTS*



Source: MF

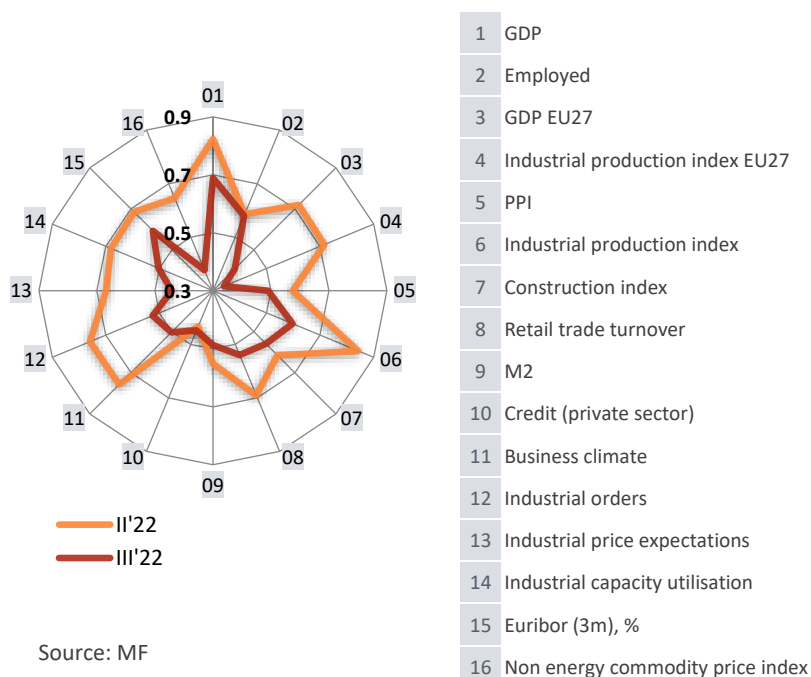
* Preliminary estimate of EAI by components in Q3'22

EAI decreased in Q3

In the third quarter of 2022, the Economic Activity Indicator¹ (EAI) slightly decreased (to 0.51, from 0.67 in Q2). The decline in the cyclical component which has begun in the second half of the previous year deepened further to 0 in Q3 and was the main driver for the EAI downward movement. Thus, the preliminary estimate of the composite indicator continued to point to an economic expansion in Q3 but with a decelerating trend.

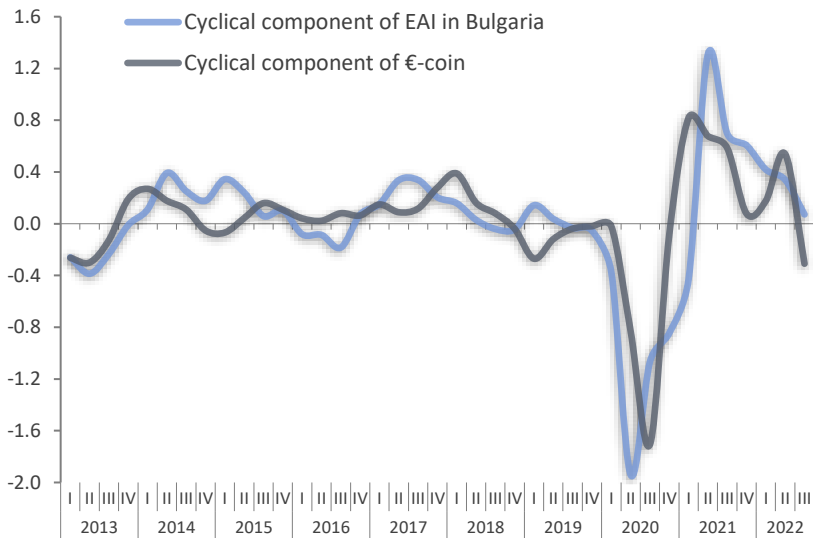
The EAI deterioration in Q3 reflected to a large extent the externally driven indicators presented with the real GDP growth and industrial production index in EU 27. In the following quarters, these developments may have a negative impact on the country's indicators which are predominantly exposed to the external environment (index of industrial production, provision of industrial orders and price expectations in the industry) but it has not been evidenced by the reported data yet. The estimated contribution from the related domestic activity variables such as employed and overall business climate remained neutral.

2 DECOMPOSITION OF EAI VARIABLES



Source: MF

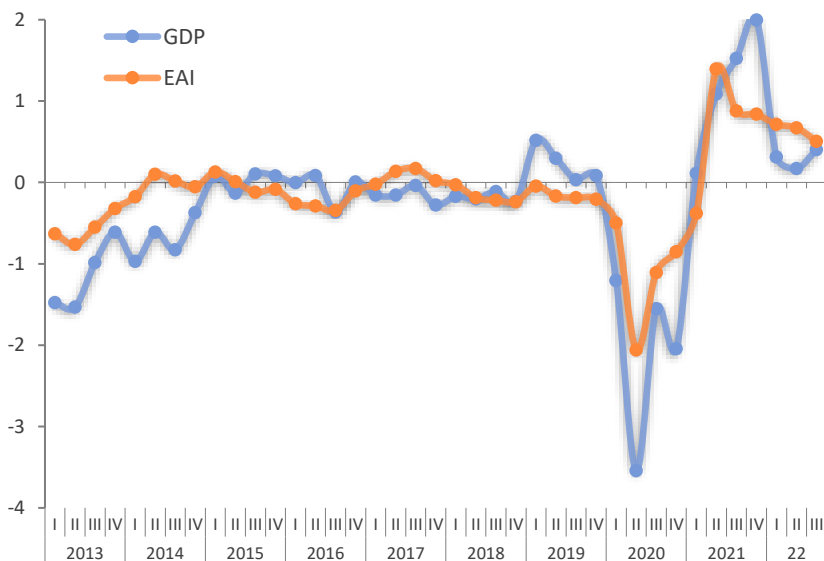
3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



Source: MF, CEPR

Over Q3'2022, the estimated cyclical position of the composite indicator in the euro area €-coin² turned into negative territory. The signals for economic weakness in the euro area, which has started in June deepened further and €-coin reached a negative value in September, the lowest level since September 2020. Its current development mainly reflected the drop in euro-area consumer and business confidence and a reduction in industrial production. These factors are expected to have a restrictive influence on the cyclical EAI position.

4 EAI AND GDP*



Source: MF

* Preliminary estimates for EAI and GDP in Q3'22. 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 preliminary estimate for EAI signaled a slowdown in the country's economic activity while real GDP growth in Q3 is estimated to remain close the reported rates in the first half of the year.

¹ A new version of the EAI has been released in 2/2021, which incorporates some revisions to the database. The historical series according to the methodology are also available starting from 2001 onwards. For more detailed information see "Rationale and Methodology of the EAI".

² For more detailed data and methodological notes on €-coin, monthly estimates of the economic activity in the euro area visit the website of the Centre for Economic Policy and Research (CEPR): <http://euro-coin.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 Hodrick-Prescott filter.