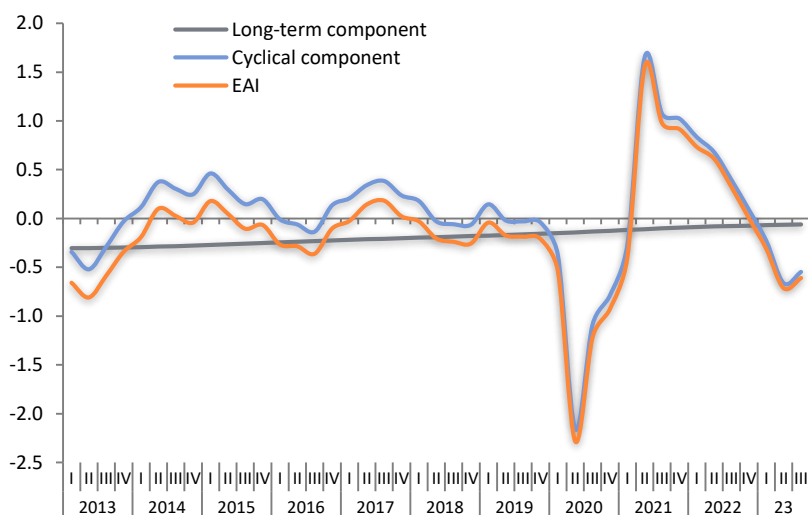


ECONOMIC ACTIVITY INDICATOR IN BULGARIA

The EAI slightly improved in the third quarter, which was due to the increase in all composite indicators. The composite indicator of the Eurozone also reported a minor improvement. It is expected some acceleration of the real GDP growth in the country.

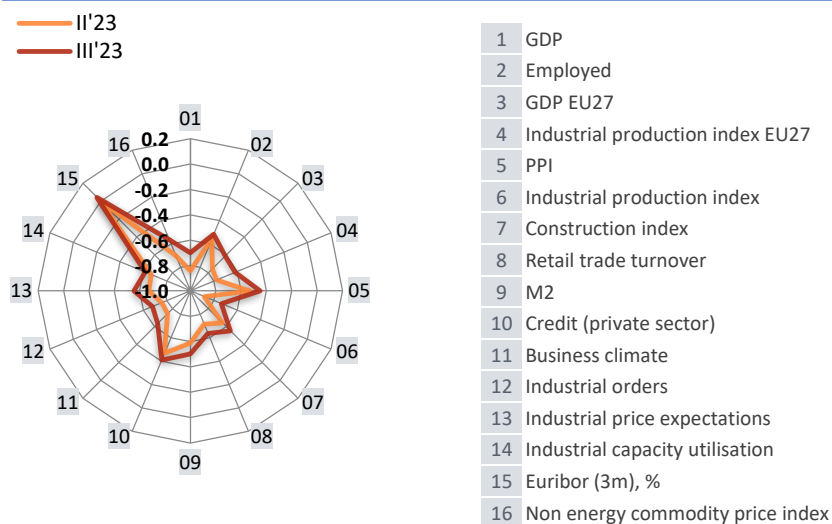
1 EAI BY COMPONENTS*



* Preliminary estimate of EAI by components in Q3 2023

Source: IAF

2 DECOMPOSITION OF EAI VARIABLES

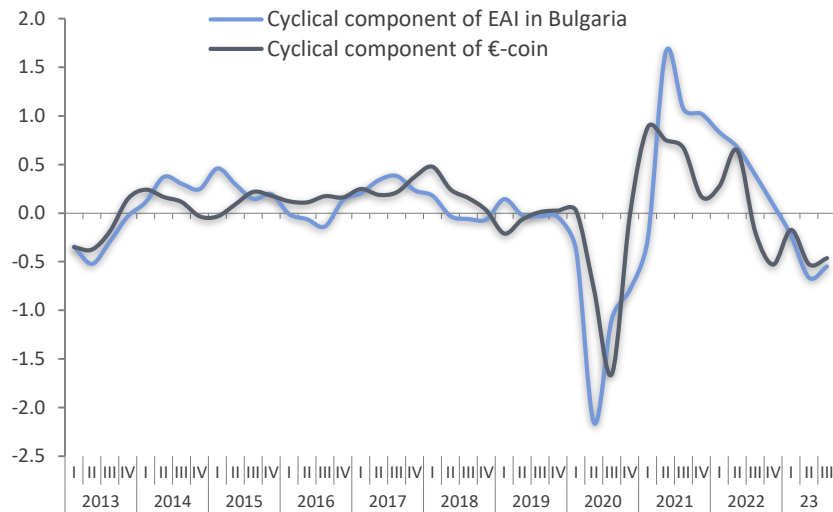


Source: IAF

In the third quarter of 2023, the Economic Activity Indicator¹ (EAI) reported a small improvement reaching a value of -0.61 compared to -0.71 in the second quarter. The upswing was due to the cyclical component. The long-term component also accounted for slight improvement, although it remained in negative territory.

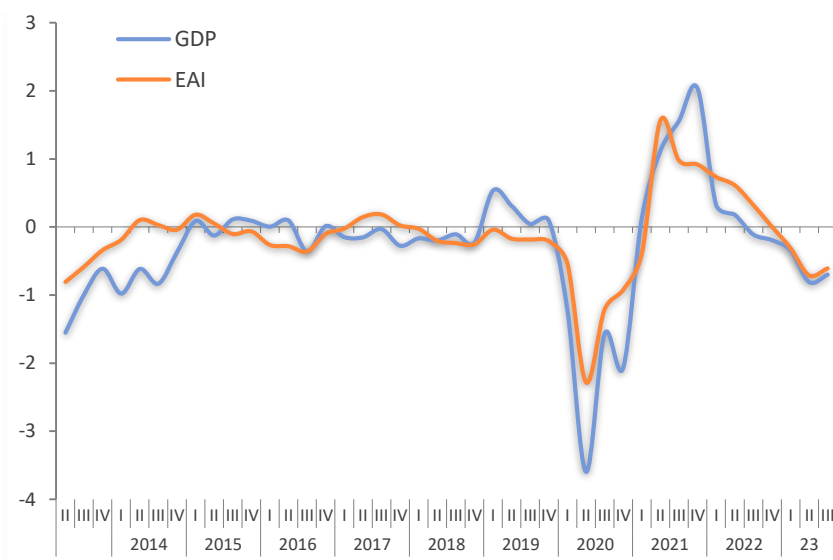
The improved position of EAI in the third quarter was the result of the increase of all composite indicators. The biggest contribution made the indicators reflecting the external environment, but also some internal indicators such as the industrial production index, business climate and industrial price expectations which also marked a significant improvement. The smallest growth was in the indicators for the employed and Euribor (3m).

3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



Source: IAF, CEPR

4 EAI AND GDP*



* The estimates for EAI and GDP in the third quarter of 2023 are preliminary. In order to achieve comparability, real GDP growth data has been standardized by subtracting its mean and divided by the standard deviation of the series.

Source: IAF

In September, the estimated cyclical position of the composite indicator in the euro area €-coin² remained in negative territory for the eighth consecutive month. However, there was a negligible but consistent advancement during the last three months, which was also reflected in the estimate for the quarter. The current development of the €-coin was mainly due to the recovery of some demand indicators (including external demand) and a drop in producer prices, which offset the deterioration in the confidence of households and companies. It is expected that these developments will have a favorable impact on the cyclical position of the Bulgarian economy.

The preliminary assessment of the EAI indicates a small acceleration of economic activity in the country in the third quarter of 2023, which positively affects the assessment of real GDP growth.

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.