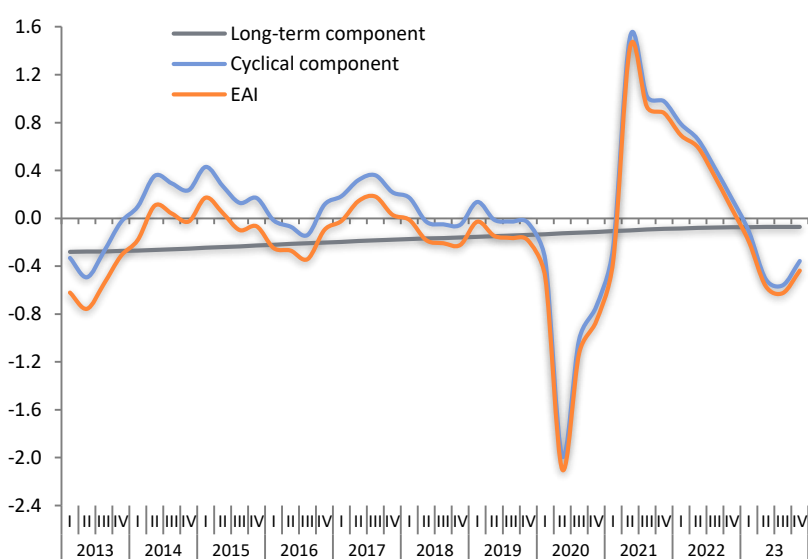


ECONOMIC ACTIVITY INDICATOR IN BULGARIA

1 EAI BY COMPONENTS*



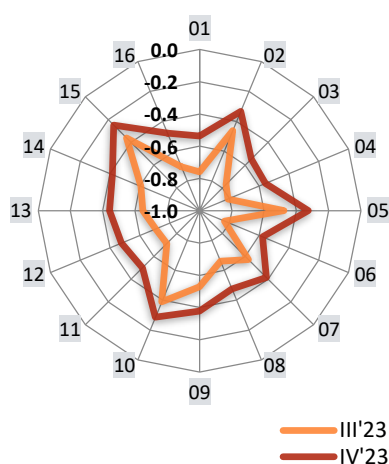
Source: IAF

* Preliminary estimate of EAI by components in Q4'23

EAI continued to improve in the fourth quarter

The Economic Activity Indicator¹ (EAI) continued to improve in the fourth quarter of 2023 but remained negative at -0.44 up from -0.62 in the third quarter. The improvement was mainly due to the development of the cyclical component, while the long-term one remained at the same level.

2 DECOMPOSITION OF EAI VARIABLES

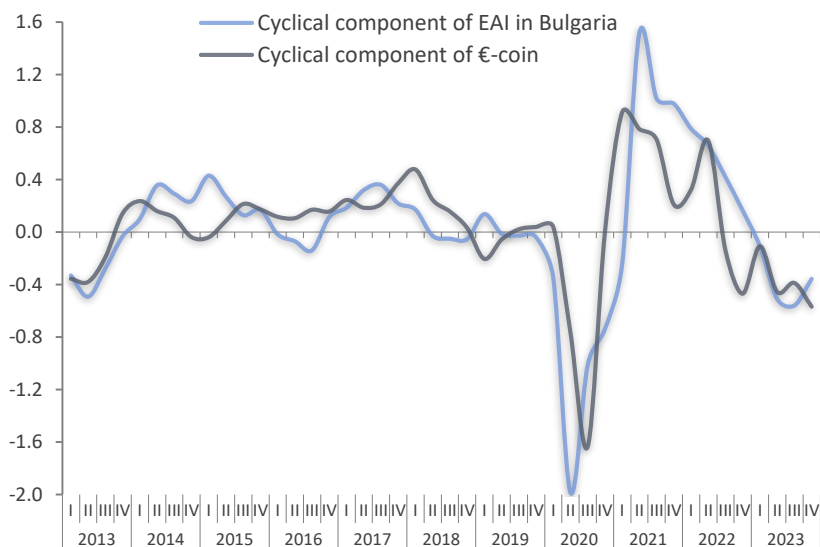


Source: IAF

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

All variables composing the EAI improved compared to last quarter. The highest contribution to the current reading of the composite indicator had external demand and international prices of the non-energy commodity price index. A significant improvement was also noted in some domestic indicators such as the business climate, production, industrial orders, and, industrial price expectations. The lowest increase was recorded in the credit indicator (private sector) and Euribor (3 m.).

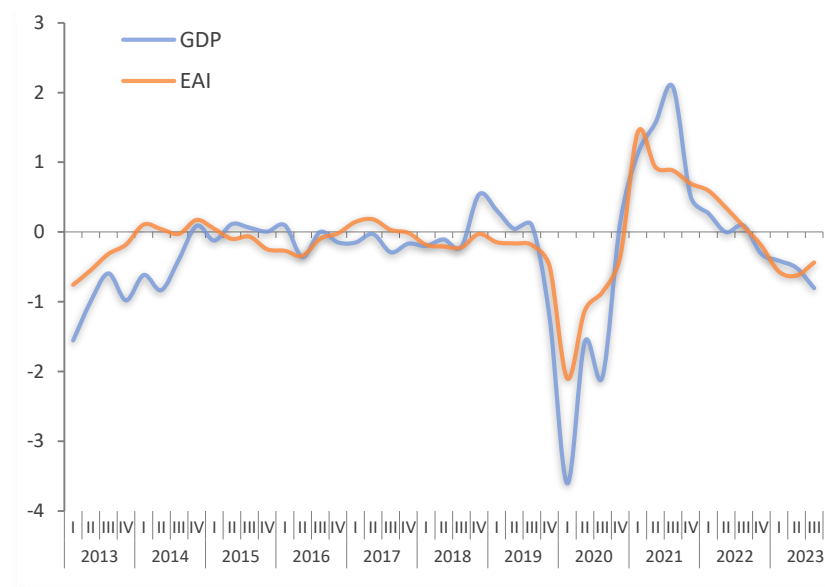
3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



Source: IAF, CEPR

In the fourth quarter, the estimated cyclical position of the composite indicator of the euro area also continued to be negative. During the first two months of the quarter €-coin² fell sharply, confirming the underlying weakness of euro-area activity. This decline was due to a deterioration in financial, demand, and business confidence indicators. In November, it reached its lowest value since September 2022 reflecting weakness in industrial production and international trade. At the end of the quarter, the indicator improved, which was mainly due to the decline in the yield curve of government bonds and the recovery of share prices.

4 EAI AND GDP*



Source: IAF

* Preliminary estimates for EAI and GDP in Q4'23. 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 negative preliminary estimate for EAI indicates that economic activity in the country in the fourth quarter was limited by the high degree of uncertainty caused by the international environment. This will also be mirrored in a slowdown in real GDP growth in the country.

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 <http://eurocoin.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 Hordrick-Prescott filter.