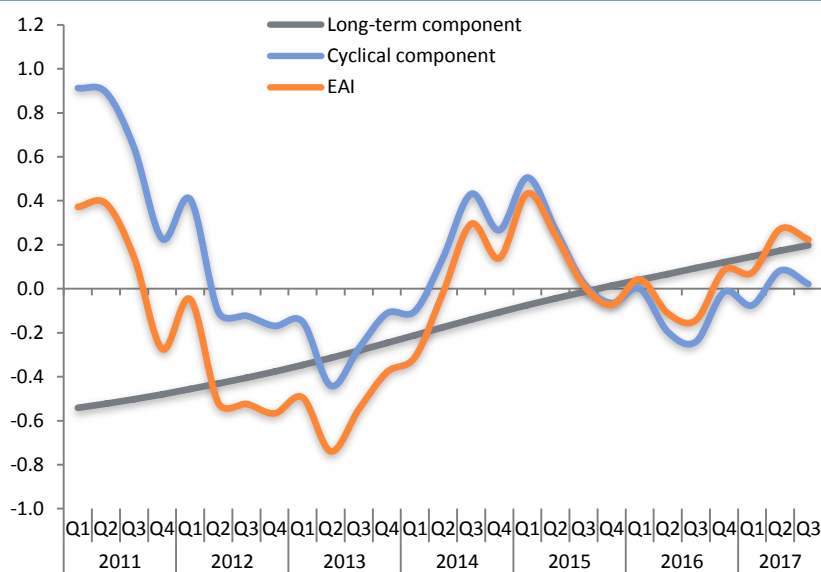


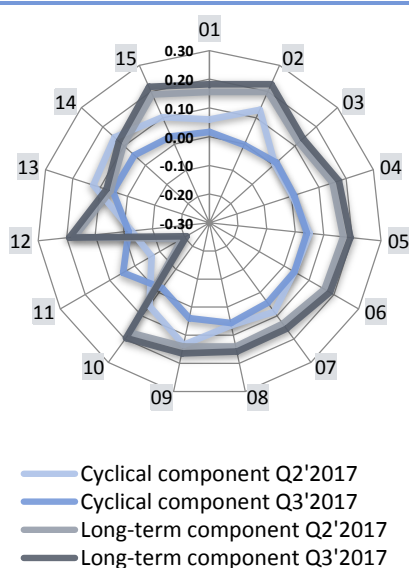
# ECONOMIC ACTIVITY INDICATOR IN BULGARIA

## 1 EAI BY COMPONENTS



Source: MF

## 2 DECOMPOSITION OF THE VARIABLES, INCLUDED IN EAI



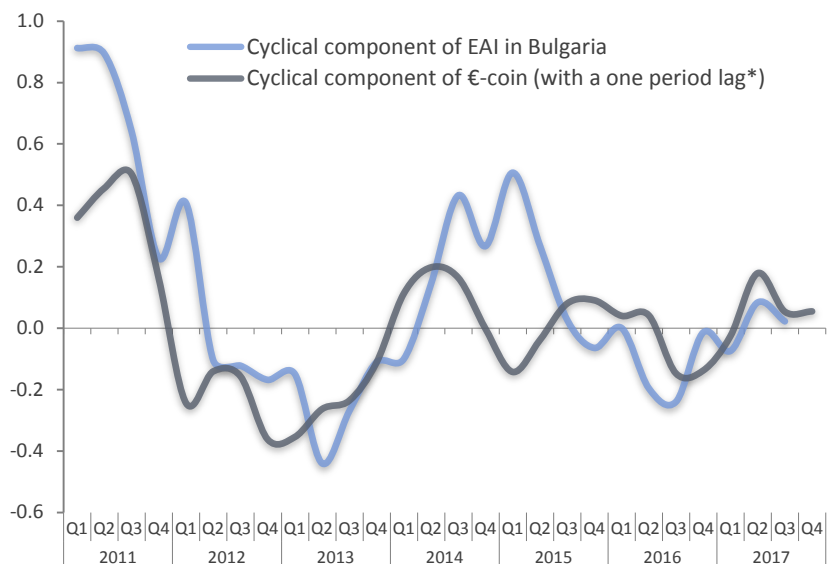
Source: MF

EAI remained high but slightly decreased in Q3

In Q3 2017 EAI<sup>1</sup> slightly fell to 0.22 from 0.27 in the previous quarter. The indicator's position remained strong due to the long-term component which proceeded to its record high since 2007. Despite staying in the positive territory, the cyclical component declined somewhat and was the main driver for the EAI decrease on a quarter earlier.

The external environment and the related domestic activity indicators had the largest negative contribution to the observed developments in the cyclical component. The EU 28 economic cycle went down and influenced the industrial production index and capacity utilization. International prices of non-energy commodities and crude oil also had a negative contribution in line with the cyclical worsening of expectations for selling prices in manufacturing. Long-term loan interest rate in BGN was the only indicator which contributed positively to the economy's cyclical position dynamics in Q3. In contrast to cyclical components, the long-term components of all variables improved.

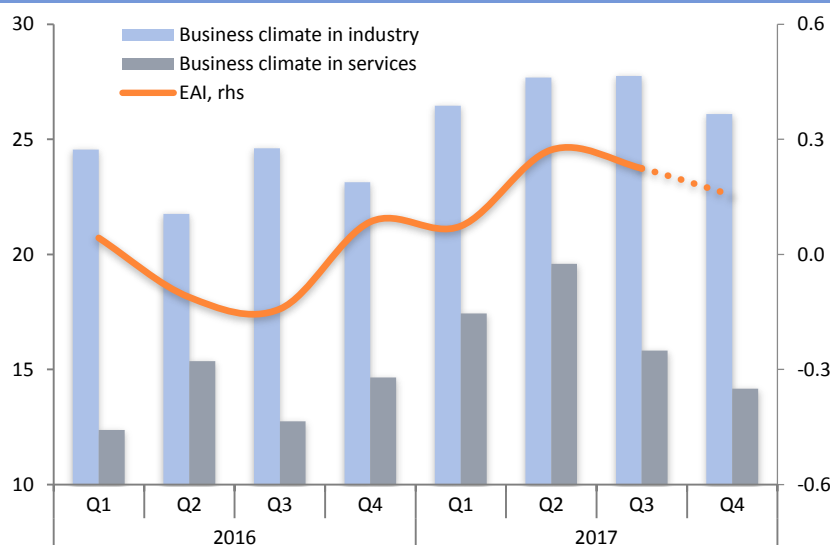
### 3 ESTIMATED CYCLICAL FLUCTUATIONS IN THE EURO AREA AND BULGARIA



\* Correlation is estimated for the period Q1'02–Q3'17.

Source: MF, CERP

### 4 EAI AND BUSINESS CLIMATE IN INDUSTRY AND SERVICES\*



\* Estimates for the business climate in Q4 are based on October and November figures.

Source: MF

In Q3 the estimates of the cyclical fluctuations in the euro area and the Bulgarian economy show the effect of changes in the external business situation strengthened with a lag of one quarter period. Due to weak industrial activity and appreciation of the euro against the US dollar the leading growth indicator for the euro area €-coin<sup>2</sup> followed a downward trend in April-June, which restrained the Q3 cyclical EAI position. Since June, €-coin has reported positive developments supported by the strengthened production activity and improved business confidence; nonetheless the indicator remained at a cyclically lower level in Q3. The latter is expected to narrow the EAI increase in Q4.

The EAI preliminary estimate for Q4 remains positive but is likely to slow down on the account of the cyclical component development. These expectations are further grounded on the deterioration in the business climate indicator in both industrial and services sectors in October and November.

<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.