

undertaken by economic policy-makers. On the other side, there are specific indicators in the statistical system which are often used for short-term analysis and are available on monthly-basis, rather soon after the end of the reference quarter, for instance the index of industrial production, the index of trade, the index of tourist nights, etc. They provide information about specific aspects of current economic movements. However, they do not present a chained system of information and do not cover all the aspects of the economic activity, which is their main shortcoming. So, for instance, some of those indicators may show the growth of the economic activity in some sections, and others its fall in other sections. This does not allow one to observe the dynamics of the overall economic activity due to the lack of a common denominator based on which the indicators would be leveled.

Consequently, the purpose of the composite index of the economic activity is to pool all the components of significance for the movement of the economic activity within the national economy, on monthly basis. Based on it, composite index should show a general picture of the current economic tendency in short-term, unlike quarter national accounts data which refer to a longer period of time, but at the same time the picture should be more exhaustive than the one obtained from individual monthly indicators. It is calculated approximately the same way as quarterly GDP because it is based on rather the same indicators being used for the calculation of the latter,

provided that they are available on monthly basis. The key difference is that all aspects of the economic activity have not been covered as in the case of GDP calculation – for instance agricultural production, FISIM (financial intermediation services indirectly measured) etc. Also, there is no adjustment to the annual GDP calculation which is, in general, regarded as more reliable through so-called benchmarking procedure.⁴ Finally, the composite index is not computed in an as detailed manner as is GDP.

2. Methodological basis of the calculation

For the composite index can reflect as reliably as possible the changes in the total economic activity, it is extremely important to:

- Define the theoretical frame;
- Select in an appropriate manner indicators;
- Aggregate and weight in an appropriate manner individual components.

2.1. Theoretical frame and selection of indicators

The creation of the theoretical frame requires the individual components to be selected according to their importance, representativeness and relevancy in relation to trends in the total economic activity, and it also necessitates the

⁴Based on this procedure the sum of four quarters equals the value obtained through annual calculation, i.e. the growth rate of GDP can be maintained as much as possible within the limitations of annual data. Despite the great number of various mathematical methods being developed for that purpose, the Proportional Denton Method is the mostly used.