



The Cyprus Composite Leading Economic Index (CCLEI)

The coronavirus pandemic and the downward trend of the Index

What is a Composite Leading Economic Index (CCLEI)?

The index that is designed to provide early signals of turning points in business cycles i.e., early evidence of the turns in economic activity. This index comprises of a number of leading economic activity variables which tend to lead changes in the overall economic activity.

What are the components of the CCLEI?

The CCLEI is the combination of multiple leading indicators which have been carefully selected from a large number of international and local variables. Currently, the components are the Brent Crude Oil price, the Euro Area Economic Sentiment Indicator, the tourists' arrivals, the value of visa card transactions, the retail trade sales turnover volume index, the volume index of electricity production, and the number of authorized building permits. The leading properties of these variables are assessed on a regular basis.

The Cyprus Composite Leading Economic Index (CCLEI) based on the Aruoba, Diebold, and Scotti (ADS) (2009) model approach (CCLEI_ADS), exhibited a Year-over-Year (YoY) decrease of 0.2% in February 2020 reaching a level of 113.1, following decreases of 1.1% in January, and 2.3% in December (based on the updated data).

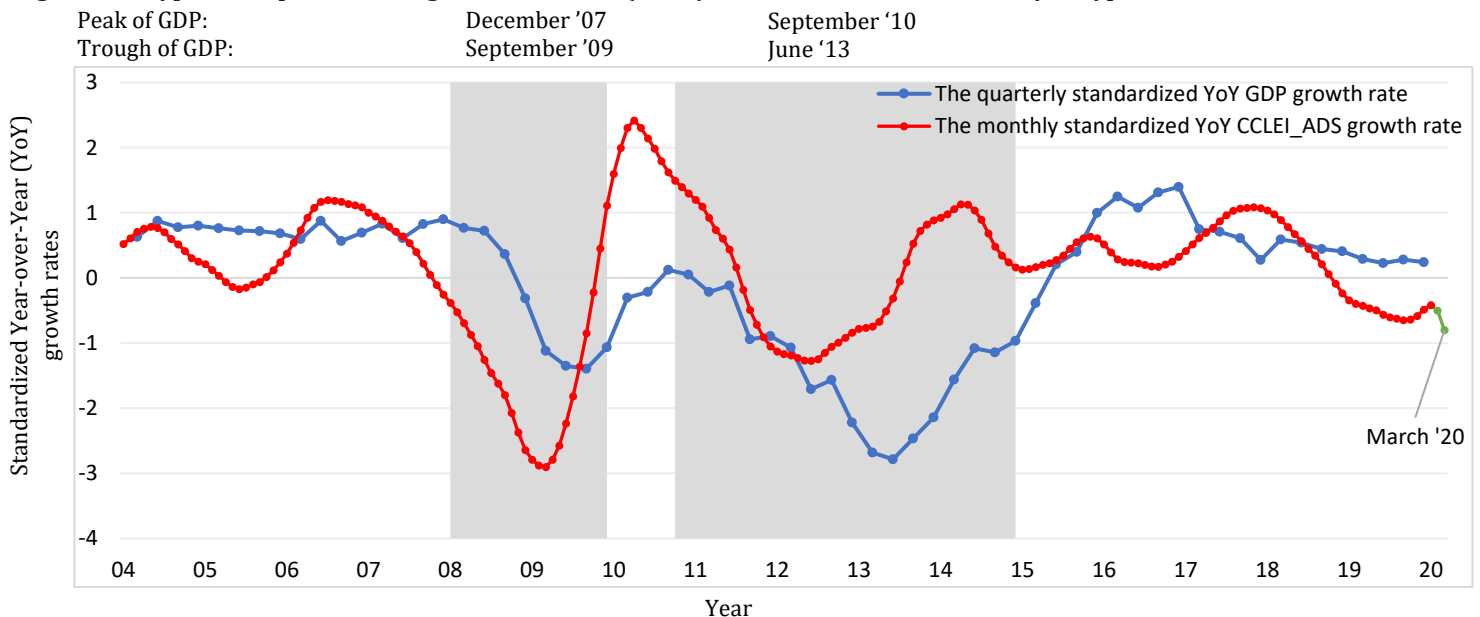
The improved trend of the CCLEI index observed during the last three months weakens and reverses in view of the coronavirus pandemic in the Cyprus economy. It is important to note that, the February CCLEI was constructed using data collected prior to the substantial outbreak of the coronavirus pandemic in the Cypriot economy. The flash estimate of the CCLEI Index for March 2020¹ appearing in the chart with the green line, already shows a significant decline, reflecting the expected downturn in the economy. The reversal and downward trend of the index foreshadows the imminent significant decline in the GDP due to the very important consequences of the COVID-19 pandemic in most sectors of the Cypriot economy.

In summary, the improved year-over-year trend of the CCLEI index is not only ending but reversing in March 2020 (as shown in the graph), revealing the expected significant impact of the coronavirus pandemic on economic activity in Cyprus. Further information regarding the methodology of constructing the CCLEI Index can be found at: <http://www.ucy.ac.cy/erc/el/>.

Note:

1. The flash estimate of the CCLEI index for March 2020 is constructed based on the availability of the the euro area Economic Sentiment Indicator and the Brent Crude price for March, while its other components are estimated by the ERC based on the latest available information in a series of various indicators.

Figure: The Cyprus Composite Leading Economic Index (CCLEI) vis-à-vis the Economic Activity of Cyprus



-Note that for comparison purposes, the quarterly YoY GDP growth rate vis-à-vis the monthly YoY CCLEI_ADS growth rate are presented in a standardized format. Shade areas refer to recession periods defined following the CERP Euro Area Business Cycle Dating Committee and the conventional recession definition of at least two consecutive quarters of negative YoY GDP growth rate (2008M01-2009M12 & 2010M10-2014M12).

-Source: Economics Research Centre (ERC) - Department of Economics @ University of Cyprus (UCY).