

The Cyprus Composite Leading Economic Index (CCLEI)

“The year-over-year growth rate of the CCLEI is positive in March”

What is a Composite Leading Economic Index (CLEI)?

The CLEI Index is designed to provide early warning signals for the turning points of business cycles i.e., early evidence of the turns in economic activity. This Index comprises of a number of leading economic activity variables whose changes tend to lead the changes in the overall economic activity and which are evaluated on a regular basis.

What are the components of the Cyprus Composite Leading Economic Index (CCLEI)?

The leading variables have been selected from a large pool of domestic and international leading indicators and are: the Brent Crude oil price (€), the Economic Sentiment Indicator (ESI) in Cyprus and the euro area, the total number of property sales contracts, the tourist arrivals, the value of credit card transactions, the retail trade sales turnover volume index, and the volume index of electricity production.

The Cyprus Composite Leading Economic Index¹ (CCLEI) recorded a year-over-year increase of 1.4% in March² 2023, following the year-over-year decreases of 0.5% and 2.9% recorded in February and January, respectively (according to recent and revised data).

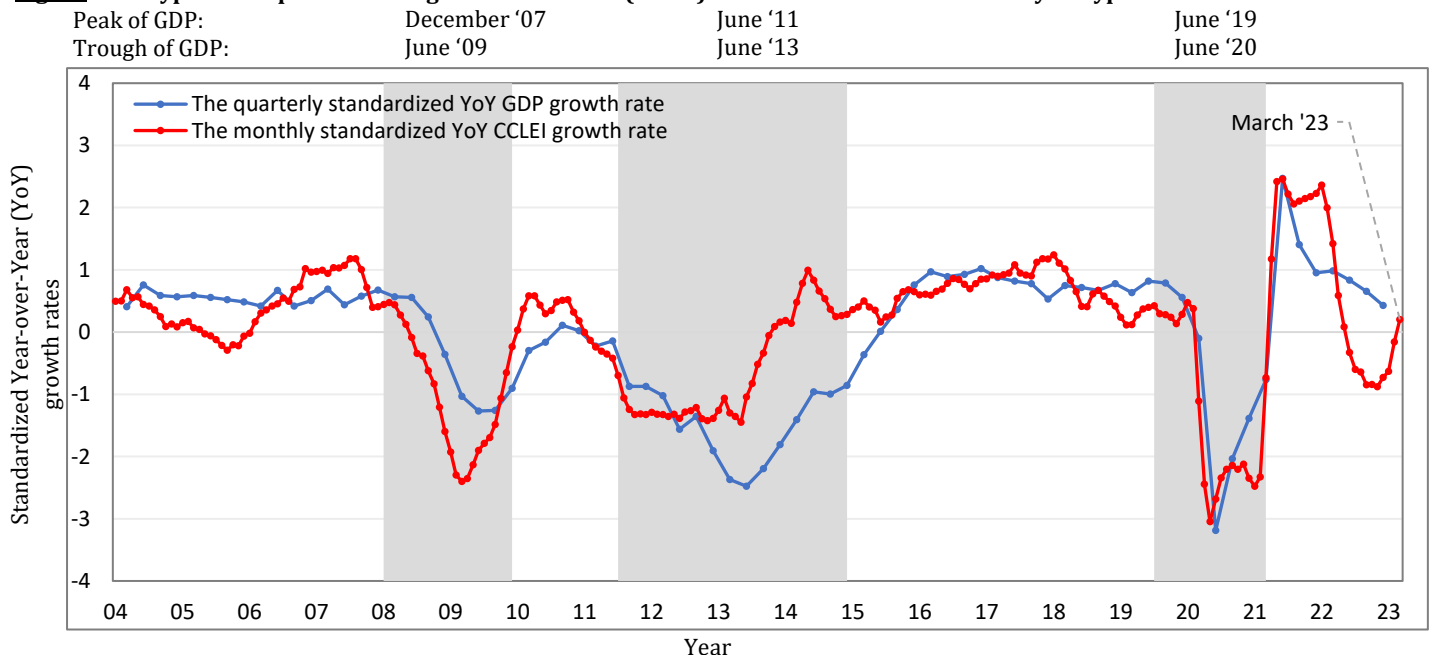
The negative year-over-year growth rate of the CCLEI is reversed in March 2023. The positive year-over-year growth rate of the CCLEI in March reflects the positive performance of most of its domestic and international components in March 2023, compared to March 2022. More specifically, the international price of Brent Crude contributed to the rise of the CCLEI, whose year-over-year growth rate for the third consecutive month was negative. Tourist arrivals to the island seem to be significant with the passenger arrivals in March 2023 approaching the March 2019 passenger arrivals. Moreover, the acceleration recorded in the growth rate of the remaining domestic components further strengthens the increase of the CCLEI. Finally, it is worth mentioning that, while the Economic Sentiment Indicator (ESI) in Cyprus strengthened in March 2023 compared to March 2022, the ESI in the euro area decreased reflecting the remaining international economic and geopolitical uncertainty and restraining the upward trend of the CCLEI.

In summary, the positive year-over-year growth rate of the CCLEI in March 2023 reinforces the economic forecasts for 2023 according to which the Cypriot economy will not enter a recession and will record a growth rate significantly higher than the average growth rate of the Eurozone, despite the remaining international economic and geopolitical uncertainty. Further information regarding the methodology of constructing the CCLEI can be found at: [CCLEI](#).

Notes:

1. The CCLEI is estimated based on the econometric model of Aruoba, Diebold, and Scotti (2009).
2. The CCLEI for March 2023 is estimated based on the availability of the Brent Crude oil price, the Economic Sentiment Indicators (ESIs) in the euro area and in Cyprus, the total number of property sales contracts, the value of credit card transactions, as well as the high frequency data of the passenger arrivals and the temperature-adjusted volume of electricity production, while the retail sales volume is estimated based on the latest available information in a series of various economic indicators.

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



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

Note that for comparison purposes, the quarterly Year-over-Year (YoY) growth rate of the Gross Domestic Product (GDP) vis-à-vis the monthly YoY growth rate of the CCLEI are presented in a standardized format in the graph. Shaded areas represent recession periods defined following the CERP Euro Area Business Cycle Dating Committee in combination with the conventional recession definition of at least two consecutive quarters of negative YoY growth rate of the GDP.