The Cyprus Composite Leading Economic Index (CCLEI)

"On the path towards recovery the Cypriot economy – the evolution of the pandemic continues generating uncertainty"

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 euro area Economic Sentiment Indicator (ESI), the total property sales of contracts, the tourists' arrivals, the value of visa card transactions, the retail trade sales turnover volume index, and the volume index of electricity production.

The Cyprus Composite Leading Economic Index[1] (CCLEI) recorded a year-over-year increase of 10.8% in August[2] 2021, reaching a level of 114.1, after year-over-year increases of 11.2% in July and 11.7% in June (based on the latest and revised data).

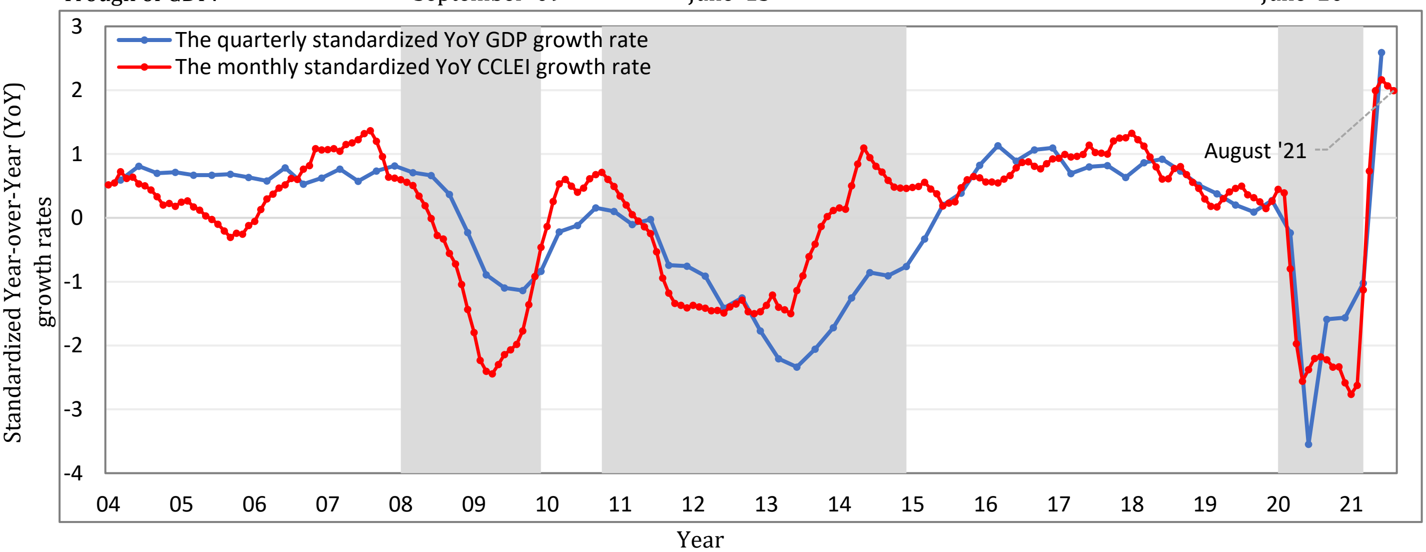
The CCLEI continues to record positive year-over-year growth rates in July and August 2021, albeit somewhat weaker. More specifically, according to preliminary data in August, a positive effect on the CCLEI and domestic economic activity is still exerted by tourist arrivals, which present a relatively good tourist depiction in August amid a 4th wave of the pandemic, as well as the volume of retail sales. Moreover, the positive year-over-year performance of the CCLEI is also due to the total number of property sales contracts, as well as the value of credit card transactions. In addition, the growth rate of the Economic Sentiment Indicator (ESI) in Cyprus has a positive effect on the CCLEI, which strengthened in August 2021 compared to July due to the strengthening of the confidence in the services sector and consumer confidence. O*n the contrary*, the weaker year-over-year growth rate of the ESI in the euro area, which reflects the economically uncertain environment due to the pandemic, as well as the significant year-over-year increase in the Brent crude oil price contributed negatively to the growth of the CCLEI in August.

In summary, the recording of positive year-over-year growth rates of the CCLEI in recent months outlines the trajectory towards the recovery of the Cypriot economy, which however, depends on the evolution of the COVID-19 pandemic. Further information regarding the methodology of constructing the CCLEI can be found at: [Cyprus Composite Leading Economic Index (CCLEI)]

Notes:
1. The CCLEI Index is estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for August 2021 is constructed based on the availability of the Brent Crude oil price, the Economic Sentiment Indicator 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 passengers' arrivals and the volume of electricity production for August, 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

Peak of GDP:	December '07	September '10	December '19
Trough of GDP:	September '09	June '13	June '20



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.