

# The Cyprus Composite Leading Economic Index (CCLEI)

"Uncertain external environment and the decline of the CCLEI"

## 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 tourists' 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 Index<sup>1</sup> (CCLEI) recorded a year-over-year decrease of 2.4% in July<sup>2</sup> 2022 following the year-over-year decrease of 1.5% recorded in June 2022 (based on the recent and revised data).

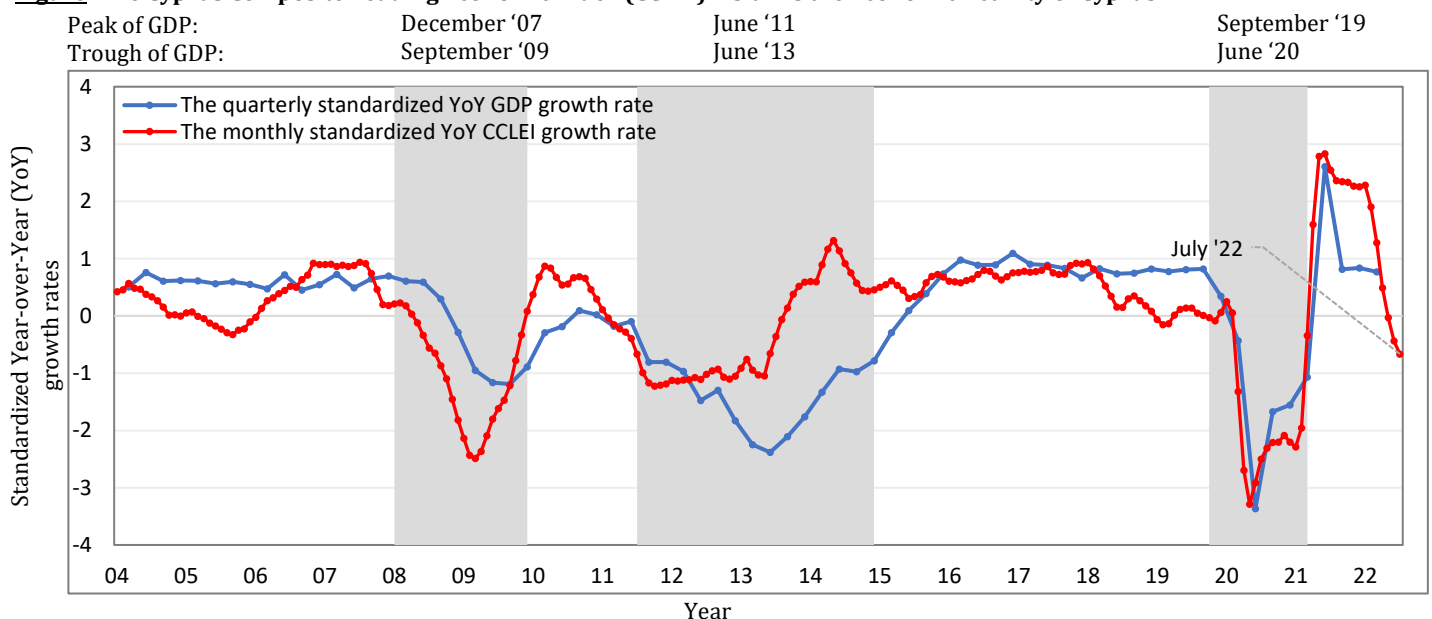
The ongoing war between Russia and Ukraine, the high inflation, and the growing uncertainty, are reflected in the negative year-over-year growth rate of the CCLEI in July 2022. More specifically, the Economic Sentiment Indicators (ESI) in the euro area and Cyprus worsened in July 2022 compared to July last year, with the climate weakening mainly in the consumption sector. At the same time, the international Brent Crude oil price which remained at high levels in July 2022, also contributed to the negative year-over-year growth rate of the CCLEI. The impact of high energy costs is also reflected in the temperature-adjusted volume of electricity production, which worsened in July 2022 compared to July 2021, contributing also to the negative year-over-year growth rate of the CCLEI. In contrast, most of the CCLEI's domestic components contribute to the restraint of the CCLEI's drop – and therefore to the rise of the Cypriot economy, recording an acceleration in their growth rate in July 2022 compared to the corresponding month in the previous year, despite the difficult international economic climate. In particular, the growth rate of total property sales contracts, the value of credit card transactions, the growth rate of tourists' arrivals, as well as according to preliminary data, retail sales volume, have accelerated.

In summary, the ongoing war between Russia and Ukraine and all its related implications continue to burden the growth prospects of the international and, by extension, the Cypriot economy – a fact indicated by the negative year-over-year growth rate of the CCLEI in July 2022. Further information regarding the methodology of constructing the CCLEI can be found at: [CCLEI](#)

### Notes:

1. The CCLEI Index is estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for July 2022 is estimated based on the availability of the Brent Crude oil price, the Economic Sentiment Indicators (ESI) in the euro area and in Cyprus, the total number of property sales contracts, the value of credit card transactions, the tourists' arrivals, as well as the high frequency data of the temperature-adjusted volume of electricity production in July, 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.