

The Cyprus Composite Leading Economic Index (CCLEI)

"The growth rate of the CCLEI in February is positive, but decelerating"

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 Index¹ (CCLEI) recorded a year-over-year increase of 15.0% in February² 2022, reaching a level of 111.8, after year-over-year increases of 15.2% in January 2022 and 14.4% in December 2021 (based on recent and revised data).

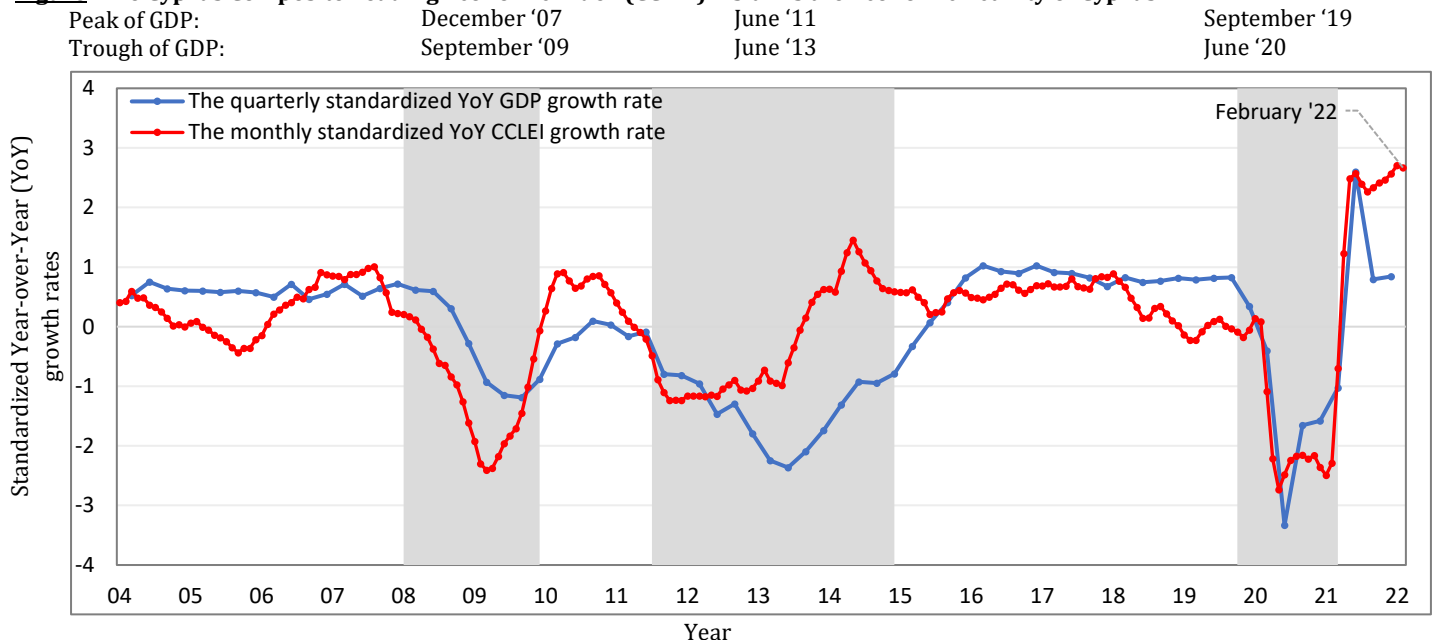
Most of the domestic and international components of the CCLEI contributed to its positive growth rate in February 2022 compared to the previous year. More specifically, the confidence in all business sectors, especially in the services sector, which strengthened in February 2022 compared to last year, led to the strengthening of the Economic Sentiment Indicator (ESI) in the euro area and in Cyprus. Moreover, the consumption and trade sector has a positive effect on the CCLEI and domestic economic activity, with the value of credit card transactions and the volume of retail sales still showing, according to preliminary data, a significant year-over-year increase in February 2022. At the same time, the temperature-adjusted volume of electricity production, the total number of property sales contracts, as well as the tourist arrivals, according to preliminary data, continue to exert a positive effect on the CCLEI, recording an increase in February 2022 compared to last year. *In contrast*, the significant increase in the Brent Crude oil price in February 2022 puts the brakes on the further CCLEI growth.

In summary, the decelerating growth rate of the February CCLEI reflects, in part, the ongoing pandemic challenges, rising energy costs, and growing geopolitical tensions. It should be noted that, the war in Ukraine and the international sanctions are partially reflected in February's economic data and consequently in the CCLEI. 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 February 2022 is constructed based on the availability of the Brent Crude oil price, the ESI 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 temperature-adjusted volume of electricity production in February, 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.