

# The Cyprus Composite Leading Economic Index (CCLEI)

“Preservation of the CCLEI upward trend in the 2<sup>nd</sup> quarter of 2023”

## 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 Index<sup>1</sup> (CCLEI), constructed by the Economics Research Centre (ERC) of the University of Cyprus, recorded a year-over-year increase of 2.1% in June<sup>2</sup> 2023, following the year-over-year increases of 1.8% and 1.7% recorded in May and April 2023, respectively (based on recent and revised data).

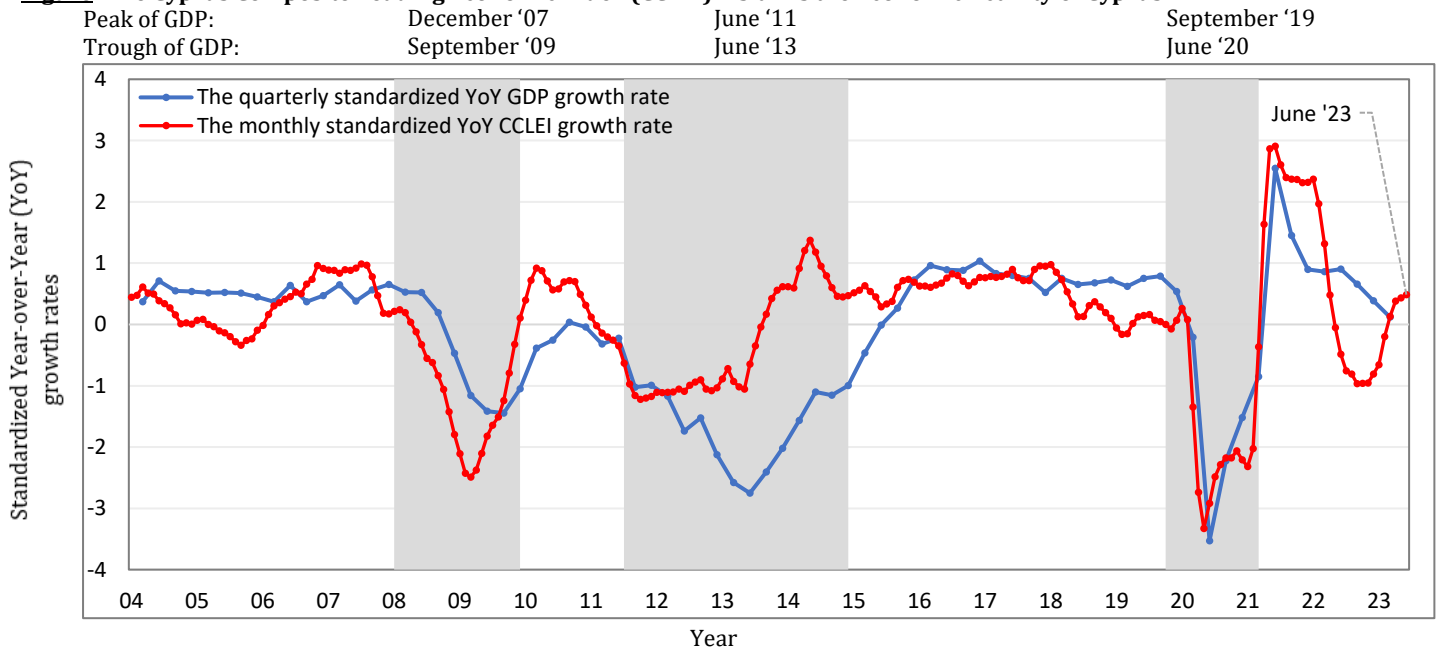
The positive performance of most of the CCLEI’s domestic and international components is reflected in the overall positive year-over-year growth rate of the Index in June 2023. More specifically, most of the domestic components of the CCLEI, including total property sales contracts, tourist arrivals, credit card transactions, as well as retail sales volume, contributed to maintaining the positive year-over-year growth rate of the Index in June. In addition, the year-over-year growth rate of the international Brent Crude oil price was negative also in the second quarter of 2023. *In contrast*, the containment of the upward trend in CCLEI is largely due to the temperature-adjusted volume of electricity production, which decreased in June 2023 compared to June 2022. The Economic Sentiment Indicator (ESI) in the euro area also significantly contributes to restraining the upward trend of the CCLEI, recording a negative year-over-year growth rate in June 2023, in contrast to the ESI in Cyprus, which indicated a year-over-year increase in June 2023.

*In conclusion*, the upward trend in the CCLEI is maintained in the second quarter of 2023 amid a volatile economic and geopolitical environment that prevails, especially at the international level, and is reflected in the ESI of the euro area. Most of the domestic and international components of the CCLEI contribute to its upward trend in June 2023. 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 June 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 tourist arrivals, the value of credit card transactions, as well as the high-frequency data of the temperature-adjusted volume of electricity production. On the other hand, 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.