

The Cyprus Composite Leading Economic Index (CCLEI)

"The slowdown of the CCLEI's positive year-over-year growth continues in April 2022"

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 2.4% in April² 2022, reaching a level of 108.5, after year-over-year increases of 5.4% in March and 7.7% in February 2022 (based on recent and revised data).

The positive year-over-year growth rate of the CCLEI continues to slow down in April 2022. More specifically, the jump in the Brent Crude oil price in April 2022 to historically high levels contributes to the slowdown in the positive year-over-year growth rate of the CCLEI in April. The Economic Sentiment Indicators (ESI) in the euro area and in Cyprus also contribute to the slowdown of the CCLEI. The Russo-Ukrainian war, the sanctions against Russia, and the high inflation undermine the confidence of both consumers and businesses. Consequently, the ESI in the euro area recorded a deterioration while the CCLEI is only *weakly* improved in April 2022 compared to last year. In addition, further barriers to the growth of the CCLEI are added by the volume of retail sales and the temperature-adjusted volume of electricity production. In particular, their year-over-year growth rates fell in April, according to preliminary data. *In contrast*, the value of credit card transactions, tourists' arrivals, and the total property sales contracts continue to positively bear the CCLEI, recording an acceleration in their growth rate in April 2022, compared to the corresponding month last year.

In summary, although the Cypriot economy showed signs of recovery from the pandemic crisis, the continuing slowing growth rate of the CCLEI in April 2022 reflects the uncertainty and implications stemming from the Russo-Ukrainian war, sanctions against Russia, high inflation, but also the new measures against the pandemic in Asia. 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 April 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 April, 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.