

# The Cyprus Composite Leading Economic Index (CCLEI)

*"Further drop of the CCLEI within a highly uncertain environment especially in Europe"*

## 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 4.0% in September<sup>2</sup> 2022 following the year-over-year decreases of 2.9% in August and 2.5% in July 2022 (based on the recent and revised data).

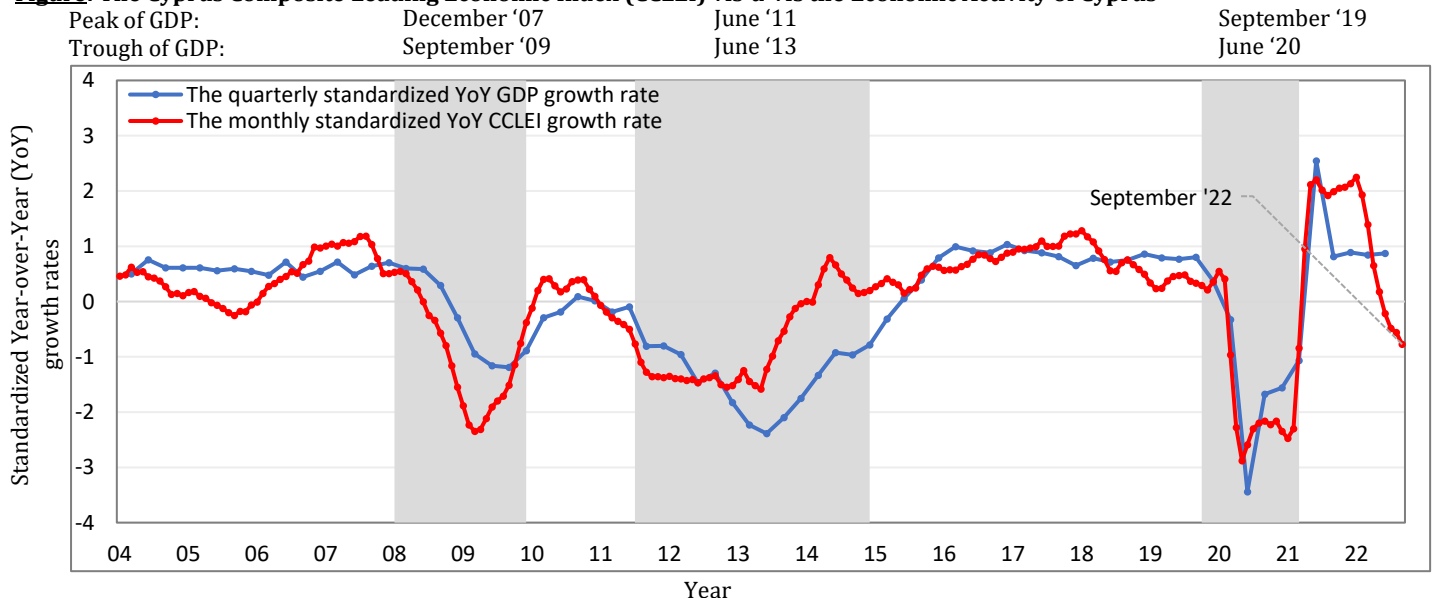
*The year-over-year CCLEI growth rate is negative in the third quarter of 2022 – the highly uncertain geopolitical and economic environment, and its effects, are reflected in the September CCLEI. More specifically, the Economic Sentiment Indicators (ESIs) in Cyprus, and especially in the euro area recorded a considerable year-over-year drop in September 2022. The significant drop in the ESI in the euro area is attributed to the deterioration of confidence in all business sectors, and especially that of consumption, while a significant drop in confidence is recorded in the services sector for Cyprus. At the same time, the international Brent Crude oil price also contributes to the negative year-over-year growth rate of the CCLEI, recording significant increase in its year-over-year growth rate in September 2022. The impact of high energy costs is reflected in the temperature-adjusted volume of electricity production, which worsened in September 2022 compared to September 2021, further fueling the drop of the CCLEI. In contrast, the acceleration recorded in the year-over-year growth rate of the remaining components of the CCLEI in September is contributing to the restrain of the CCLEI's drop. In particular, the total number of property sales contracts, the value of credit card transactions, as well as the retail sales volume and tourists' arrivals, contribute, in part, to the strengthening of the Cypriot economy in the short term.*

*In conclusion, the negative year-over-year CCLEI growth rate indicates the extremely uncertain geopolitical and economic environment that prevails, especially in Europe, which continues to affect the short-term growth prospects of the Cypriot economy. 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 September 2022 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 value of credit card transactions, as well as the high frequency data of the passengers' arrivals and the temperature-adjusted volume of electricity production, 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.*