

The Cyprus Composite Leading Economic Index (CCLEI)

"The ongoing challenges of the global economy and the drop 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 Index¹ (CCLEI) recorded a year-over-year decrease of 3.0% in August² 2022 following the year-over-year decreases of 2.6% in July and 1.7% in June 2022 (based on the recent and revised data).

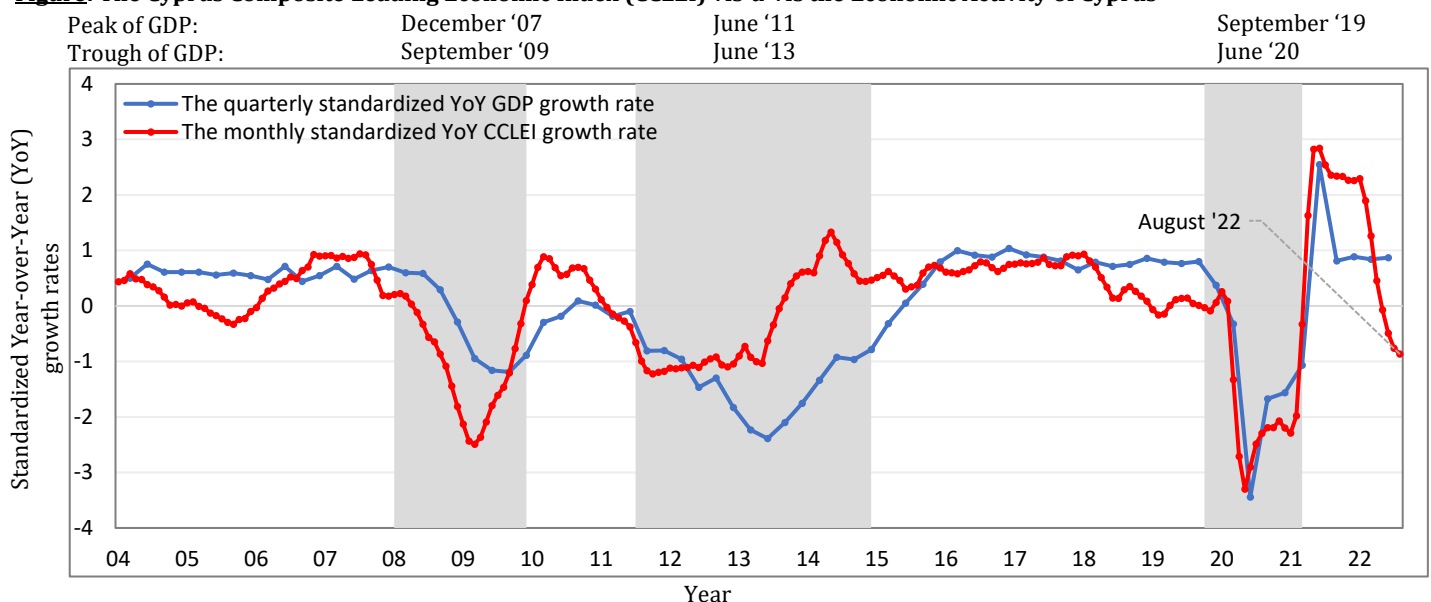
The increasing uncertainty stemming from the ongoing challenges of the global economy (ongoing war between Russia and Ukraine, rising inflation, restrictive monetary policy, China's economic slowdown) are reflected in the negative year-over-year CCLEI growth rate in August 2022. More specifically, the Economic Sentiment Indicators (ESIs) indicated a drop in confidence in the euro area and in Cyprus in August 2022 compared to August 2021, with the sentiment weakening mainly in the consumption sector in the euro area and in the services sector in Cyprus. At the same time, the international Brent Crude oil price also contributes to the negative year-over-year growth rate of the CCLEI, which continued to remain high in August 2022 due to international political and economic developments. Nevertheless, the acceleration of most of the domestic components of the CCLEI in an extremely uncertain economic environment is contributing to the restrain of CCLEI's drop and therefore to the strengthening of the Cypriot economy. In particular, the accelerating growth rate of total property sales contracts, the value of credit card transactions, the temperature-adjusted volume of electricity production, as well as retail sales volume and tourists' arrivals (according to preliminary data), are expected to contribute to the strengthening of the Cypriot economy in the short term.

In summary, the ongoing challenges of the global economy continue to burden the short-term 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 August 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 August 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 in August, 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.