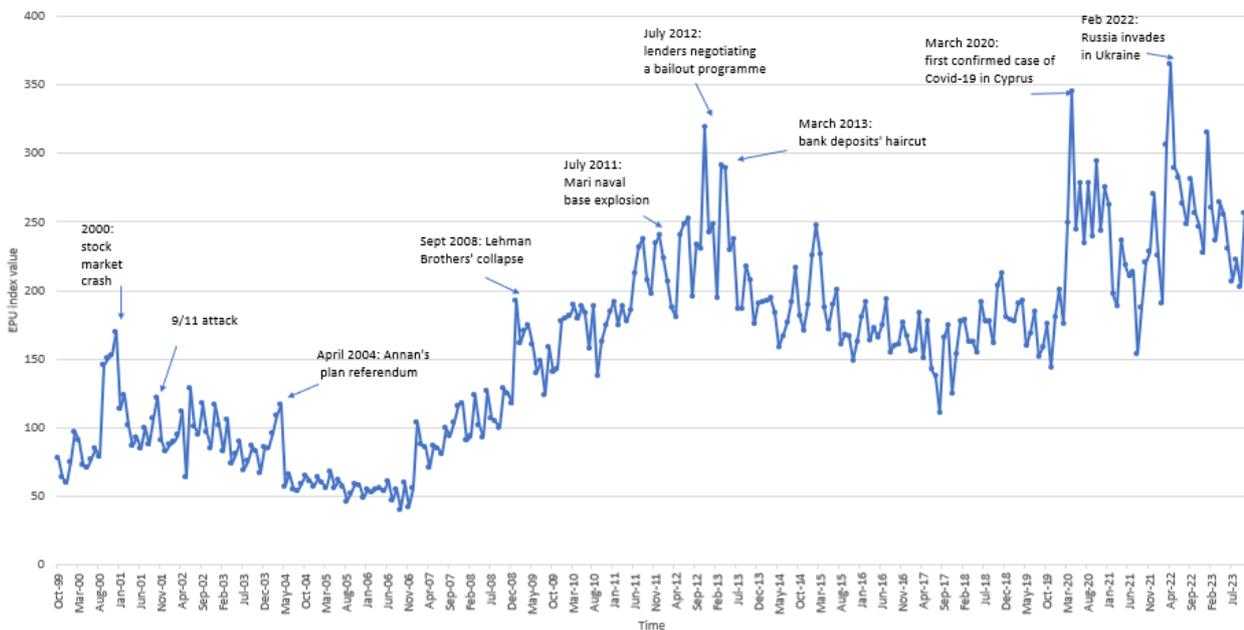




THE ECONOMIC POLICY UNCERTAINTY (EPU) INDEX FOR CYPRUS: Signs of economic uncertainty increase in October



The Economic Policy Uncertainty (EPU) index and its estimation

The Economic Policy Uncertainty (EPU) index was introduced by [Baker, Bloom και Davis](#) in 2016. It is an index that quantifies economic uncertainty with regard to the efficiency of the economic policies applied. The EPU index is based on textual analysis. More specifically, its construction is based on the number of newspaper articles that include at least one word related to each of the following 3 categories: Economy (E), Policy (P), και Uncertainty (U). So far, the EPU is constructed for almost 30 countries (11 of them in Europe). The Economics Research Centre of the University of Cyprus now constructs the corresponding EPU index for Cyprus, as shown in the graph above, and analyses the effects of economic uncertainty on the Cypriot economy. We find that uncertainty in Cyprus until 2007 was on average lower and less volatile, while after 2008 it started increasing, with the higher peaks being recorded in 2012 due to the banking crisis, in 2020 due to the Covid-19 pandemic, and in 2022 due to the Russia-Ukraine war. More information: [Tzika \(2022\)](#).

After a relatively elevated but stable period of about 6 months, economic uncertainty in Cyprus increased again in October with the EPU index estimated to 256.63 compared to its 202.84 value in September. The aforementioned notable shift in October is partly attributed to the recent outbreak of the war between Israel and Gaza in October 7, 2023. This peak is observed in Cyprus EPU index because of its geographical proximity to the conflict area, contrary to the European EPU index which does not seem to have been affected by the war yet.