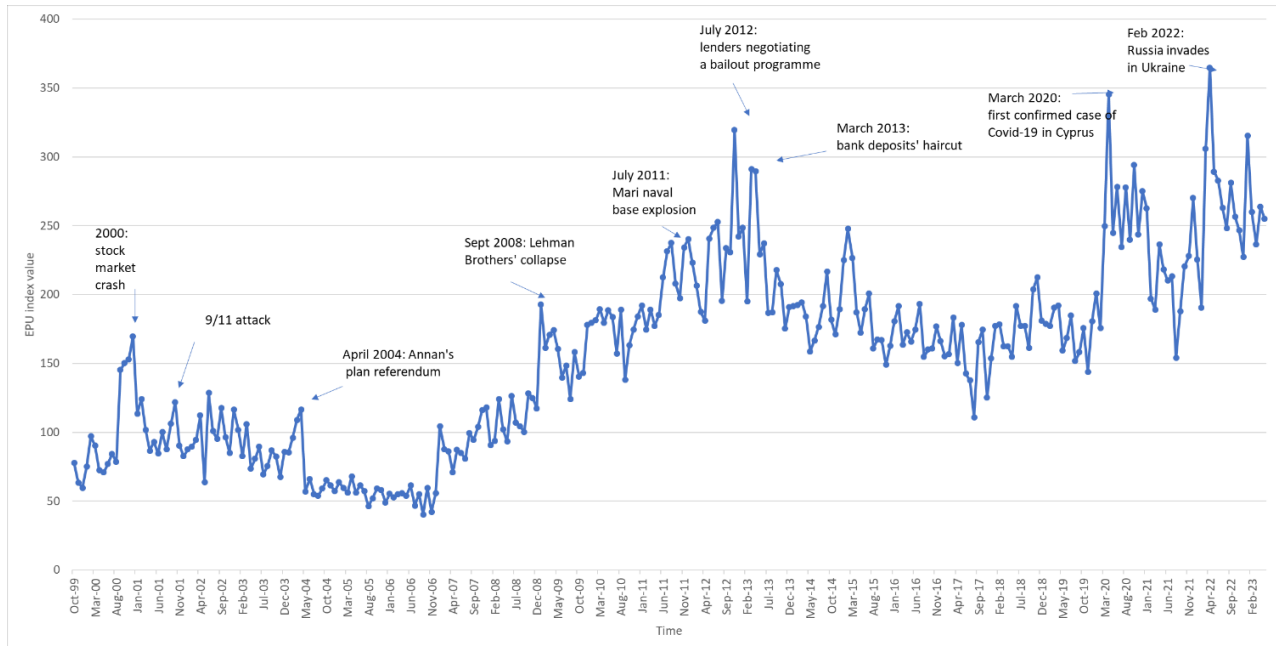




## THE ECONOMIC POLICY UNCERTAINTY (EPU) INDEX FOR CYPRUS: Economic uncertainty decrease during March-May



### ***The Economic Policy Uncertainty (EPU) index and its estimation***

*The Economic Policy Uncertainty (EPU) index was introduced by [Baker, Bloom, and 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), and 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 \(2022\)](#).*

**In spring 2023, the level of the EPU index in Cyprus is relatively low and stable, implying that economic uncertainty has ameliorated one year after the Russia-Ukraine war outburst. The EPU index is equal 236.62, 263.95, and 254.95 in March, April, and May, respectively. Although the EPU index demonstrates a temporary increase in value during April, this fades away in the next month. This rise can be partly attributed to the banking crisis in the USA in March, because of the collapse of the Silicon Valley Bank. Similar temporary increases are observed in the EPU index values of other European countries (France, Germany, Spain etc), however, most of these occur in March.**