

The Cyprus Composite Leading Economic Index (CCLEI)

"The fall of the CCLEI reflects the ongoing challenges at international and domestic level"

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 0.6% in June² 2022, after year-over-year increases of 1.4% in May and 3.9% in April 2022 (based on the recent and revised data).

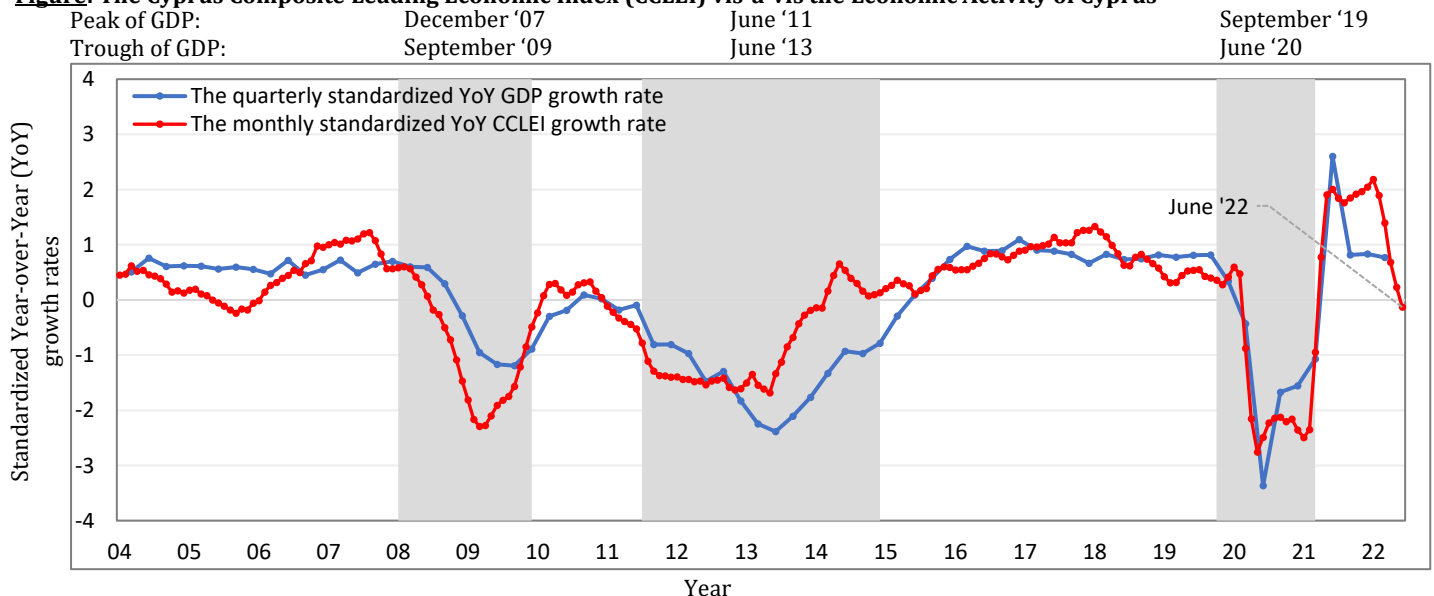
The effects of the Russian-Ukrainian war, the resurgence of the Covid-19 pandemic, and the recent extreme restrictive measures in China are reflected in the negative year-over-year growth rate of CCLEI in June 2022. In particular, the international Brent Crude oil price hit a new high record in June 2022. At the same time, the Economic Sentiment Indicators (ESI) in the euro area and Cyprus, which worsened in June 2022 compared to June last year, also contribute to the negative year-over-year growth rate of the CCLEI. The deterioration of the ESI both in the euro area and in Cyprus is attributed to the sentiment downturn in all sectors, and especially, in that of consumption. A negative input to the year-over-year growth rate of CCLEI is also the temperature-adjusted volume of electricity production, which worsened in June 2022 compared to June 2021. In contrast, most of the CCLEI's domestic components contribute to the restraint of the CCLEI's drop, recording an acceleration in their growth rate in June 2022 compared to the corresponding month of last year. More specifically, the growth rate of total property sales contracts, the value of credit card transactions, as well as according to preliminary data, the growth rate of tourists' arrivals and retail sales volume, have accelerated.

In summary, the negative year-over-year growth rate of CCLEI in June 2022 reflects the ongoing challenges of the international and domestic economy amid the developments of the Russian-Ukrainian war and the new extreme restrictive measures to curb the pandemic in China. 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 June 2022 is estimated based on the availability of the Brent Crude oil price, the Economic Sentiment Indicators (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 June, 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.