

The Cyprus Composite Leading Economic Index (CCLEI)

"The consequences of the prolonged restrictive measures on the February CCLEI"

What is a Composite Leading Economic Index (CLEI)?

The CLEI 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 which have been carefully selected from a large pool of local and international leading indicators currently are: the Brent Crude oil price, the euro area Economic Sentiment Indicator (ESI), the total property sales of contracts, the tourists' arrivals, the value of visa 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 4.8% in February² 2021 reaching a level of 102.9, after the year-over-year reductions of 5.1% in January 2021 and 4.3% in December 2020 (based on the latest and revised data).

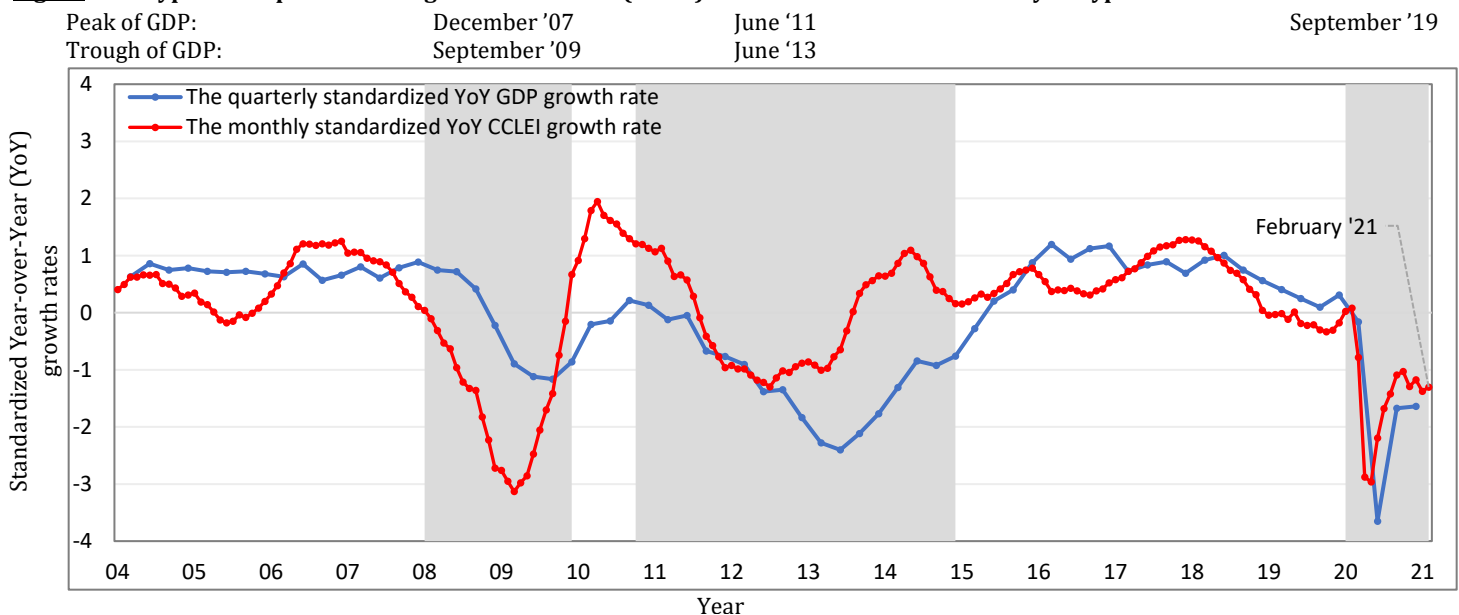
The negative year-over-year growth rate of the CCLEI in February 2021 reflects the economic consequences of the prolonged restrictive measures to curb the spread of the coronavirus. The stricter restraint measures since the beginning of January continued to adversely affect most of the sectors in the domestic economy. In particular, preliminary estimates indicate the recording of negative year-over-year growth rates in January and especially in February 2021 for the volume of electricity production, while the year-over-year increase recorded in the volume of retail sales in December 2020 seems to be reversed. Moreover, the negative year-over-year growth rate for the total number of property sales contracts as well as for the tourist arrivals, continues in February 2021, contributing negatively to the year-over-year growth rate of the CCLEI. In this direction also contributed the positive year-over-year growth rate of the Brent Crude oil price in February 2021, albeit from a low base. In contrast, the improvement of the Economic Sentiment Indicator (ESI) in the euro area, including Cyprus, in February compared to January 2021, as well as the year-over-year increase in credit card transactions, have a positive effect on the Index but are offset by the fall of the other components of the CCLEI.

In conclusion, the negative year-over-year growth rate of the CCLEI in February 2021 reflects the economic consequences of the prolonged restrictive measures against the spread of coronavirus. More generally, the future development of the CCLEI lies in the evolution of the pandemic, which distresses the domestic and international economic activity. Further information regarding the methodology of constructing the CCLEI can be found at: [Cyprus Composite Leading Economic Index \(CCLEI\)](#)

Notes:

1. The CCLEI Index was estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for February 2021 is constructed based on the availability of the Brent Crude oil price, the euro area Economic Sentiment Indicator, the total number of property sales contracts, as well as the high frequency data of the passengers' arrivals and the volume of electricity production for February, while its other components are 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.