



The Cyprus Composite Leading Economic Index (CCLEI)

Declined in November 2019 pointing to slow but still expanding economy

What is a Composite Leading Economic Index (CCLEI)?

The index that is designed to provide early signals of turning points in business cycles i.e., early evidence of the turns in economic activity. This index comprises of a number of leading economic activity variables which tend to lead changes in the overall economic activity.

What are the components of the CCLEI?

The CCLEI is the combination of multiple leading indicators which have been carefully selected from a large number of international and local variables. Currently, the components are the Brent Crude Oil price, the Euro Area Economic Sentiment Indicator, the tourists' arrivals, the value of visa card transactions, the retail trade sales turnover volume index, the volume index of electricity production, and the number of authorized building permits. The leading properties of these variables will be assessed on a regular basis.

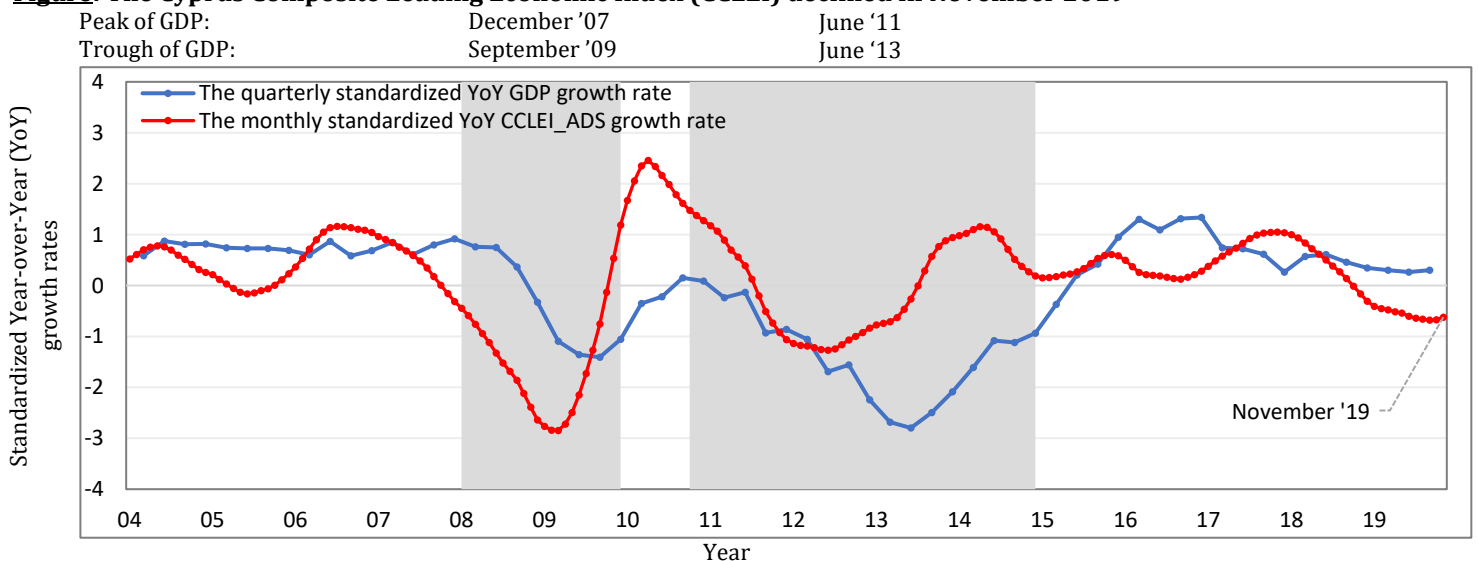
Performance of the Index in November 2019

The Cyprus Composite Leading Economic Index (CCLEI) based on the Aruoba, Diebold, and Scotti (ADS) (2009) model approach (CCLEI_ADS), exhibited a Year-over-Year (YoY) decrease of 3.5% in November 2019 reaching a level of 111.3, following decreases of 3.9% in October, and 4.0% in September (using the updated data) and thus continues to signal downward, albeit weaker, pressures on economic growth.

The downward pressures on the CCLEI are mainly a result of the YoY reduction in the Euro Area Economic Sentiment Indicator and the YoY increase of the Brent Crude Oil price in November 2019. It is note that in the international economic environment the recent encouraging developments (e.g. the trade agreement of US and China and the positive outlook in the manufacturing in Germany) are expected to have a positive impact on the Index. In the domestic economic environment, the local electricity production growth rate has marked a relatively small YoY negative growth rate in October 2019. In contrast, the YoY positive performance of the rest of the domestic indicators, in particular, credit card transactions and tourist arrivals through November 2019, and the retail sales volume and number of authorized building permits through October 2019 have contributed to a smoother reduction of the Index.

In summary, the recent downward trends in the CCLEI are mostly due to the external environment, which in conjunction with the YoY positive performance of most of the domestic variables, are in line with the forecasts of international and domestic organizations for the Cypriot economy, which is expected to continue expanding but at a slower pace. Further information regarding the methodology of constructing the CCLEI Index can be found at: <http://www.ucy.ac.cy/erc/el/publications/cyprus-composite-leading-economic-index-cclei>

Figure: The Cyprus Composite Leading Economic Index (CCLEI) declined in November 2019



Source: Economics Research Centre (ERC) - Department of Economics, University of Cyprus (UCY).

Note that for comparison purposes, the quarterly YoY GDP growth rate vis-à-vis the monthly YoY CCLEI growth rate are presented in a standardized format in the graph. Shaded areas represent recessions 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 GDP growth rate.