

The Cyprus Composite Leading Economic Index (CCLEI)

"Downward trajectory of the CCLEI also in November 2022"

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 4.1% in November² 2022, following the year-over-year decreases of 3.8% in October and 3.8% in September 2022 (based on the recent and revised data).

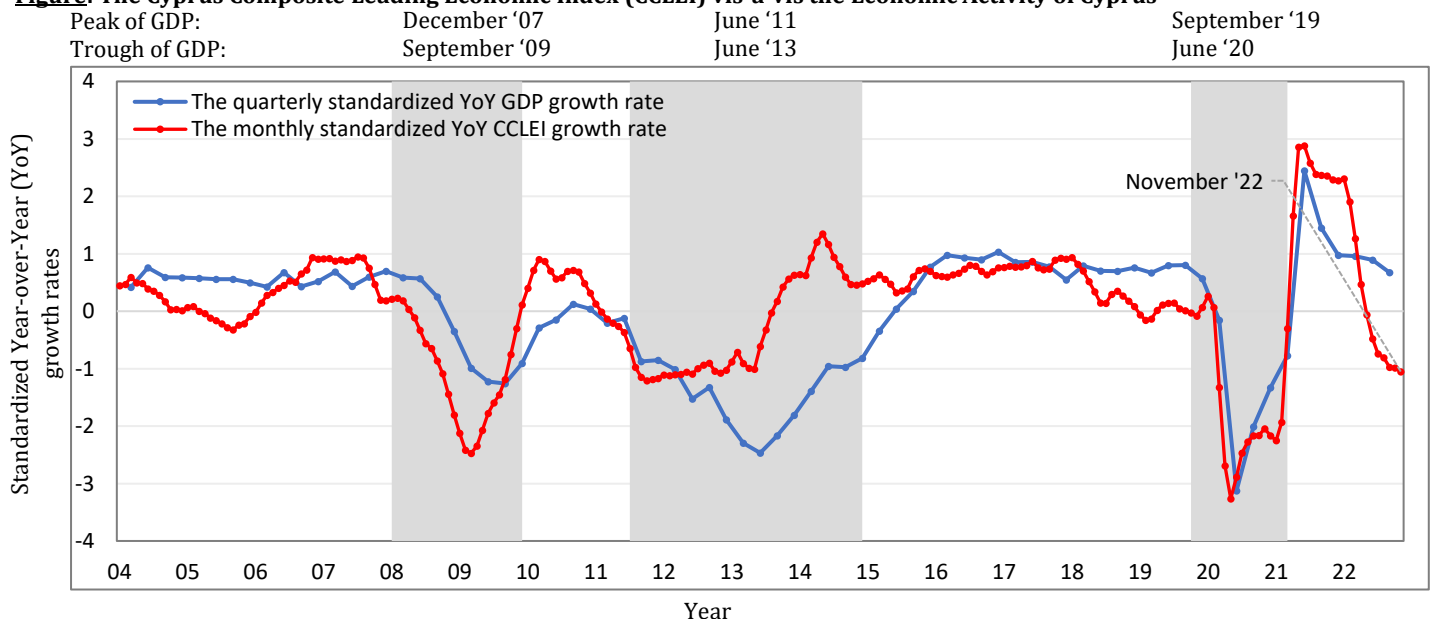
The year-over-year CCLEI growth rate is negative in November 2022 as well. More specifically, the Economic Sentiment Indicators (ESIs) in both Cyprus and the euro area recorded a year-over-year decline in November 2022 compared to the corresponding month of 2021, with the economic climate noting the greatest deterioration in the services sector both in Cyprus and in the euro area. At the same time, the international Brent Crude oil price continues contributing to the negative year-over-year growth rate of CCLEI, recording an increase in its year-over-year growth rate also in November 2022. Additionally, the temperature-adjusted volume of electricity production, which has a relatively higher weighting in the Index compared to the rest of its domestic components, also contributes to the Index' drop in November. *In contrast*, the acceleration recorded in the year-over-year growth rate of the remaining domestic components of the CCLEI in November restrains the further decline of the Index. In particular, the total number of property sales contracts, the value of credit card transactions, the retail sales volume as well as tourist arrivals, contribute to the short-term strengthening of the Cypriot economy.

In conclusion, the negative year-over-year CCLEI growth rate largely reflects the continuing uncertainty and slowdown of the European economy which inevitably affects the prospects of the Cypriot economy as well. Further information regarding the methodology of constructing the CCLEI can be found at: [CCLEI](#).

Notes:

1. The CCLEI is estimated based on the econometric model of Aruoba, Diebold and Scotti (2009).
2. The CCLEI for November 2022 is estimated based on the availability of the Brent Crude oil price, the Economic Sentiment Indicators (ESIs) 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, 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.