

The Cyprus Composite Leading Economic Index (CCLEI)

“Economic activity continues to recover – uncertainty remains”

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 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 increase of 14.0% in November² 2021, reaching a level of 112.7, after year-over-year increases of 13.9% in October and 13.4% in September (based on the latest and revised data).

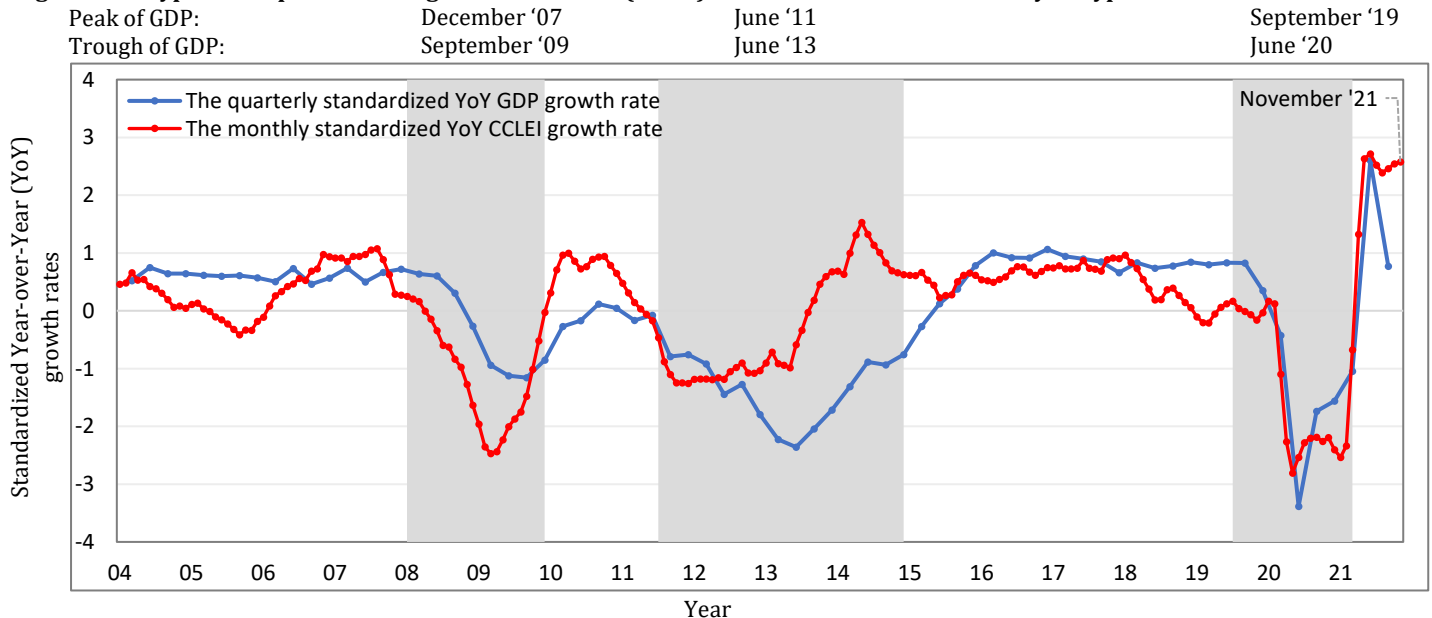
The estimated upward trend of the year-over-year growth rate of the CCLEI is steady in November 2021. The Economic Sentiment Indicators (ESI) in Cyprus and the euro area contribute to the positive year-over-year performance of the CCLEI in November 2021, due to the strengthening of the confidence in all business sectors, and especially in the services sector. According to preliminary data in November, a positive effect on the CCLEI and domestic economic activity is also still exerted by tourist arrivals, as well as the volume of retail sales. The total number of property sales contracts in November 2021 also contributes to the positive year-over-year performance of the CCLEI. The same applies to credit card transactions, although their positive year-over-year growth rate in recent months may be due, in part, to the recent decree of mandatory use of credit cards in the services and retail sectors. *In contrast*, the temperature-adjusted volume of electricity production, as well as the year-over-year increase in the Brent crude oil price in November 2021 compared to November 2020, restraint the year-over-year growth of the Index in November.

In summary, the positive year-over-year growth rate of the CCLEI in November 2021 reflects the steady recovery of Cypriot economic activity. *Nevertheless*, the uncertain development of the COVID-19 pandemic and all the interrelated restrictive measures to prevent it, affect the short-term growth prospects of the economy. Further information regarding the methodology of constructing the CCLEI can be found at: [Cyprus Composite Leading Economic Index \(CCLEI\)](#)

Notes:

1. The CCLEI Index is estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for November 2021 is constructed based on the availability of the Brent Crude oil price, the Economic Sentiment Indicator 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 volume of electricity production for November, 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.