

# The Cyprus Composite Leading Economic Index (CCLEI)

## “Signs of a reversal of the CCLEI’s downtrend”

### 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 tourist 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 Index<sup>1</sup> (CCLEI) recorded a year-over-year decrease of 3.5% in January<sup>2</sup> 2023, following the year-over-year decreases of 3.6% in December and 4.2% in November 2022 (according to recent and revised data).

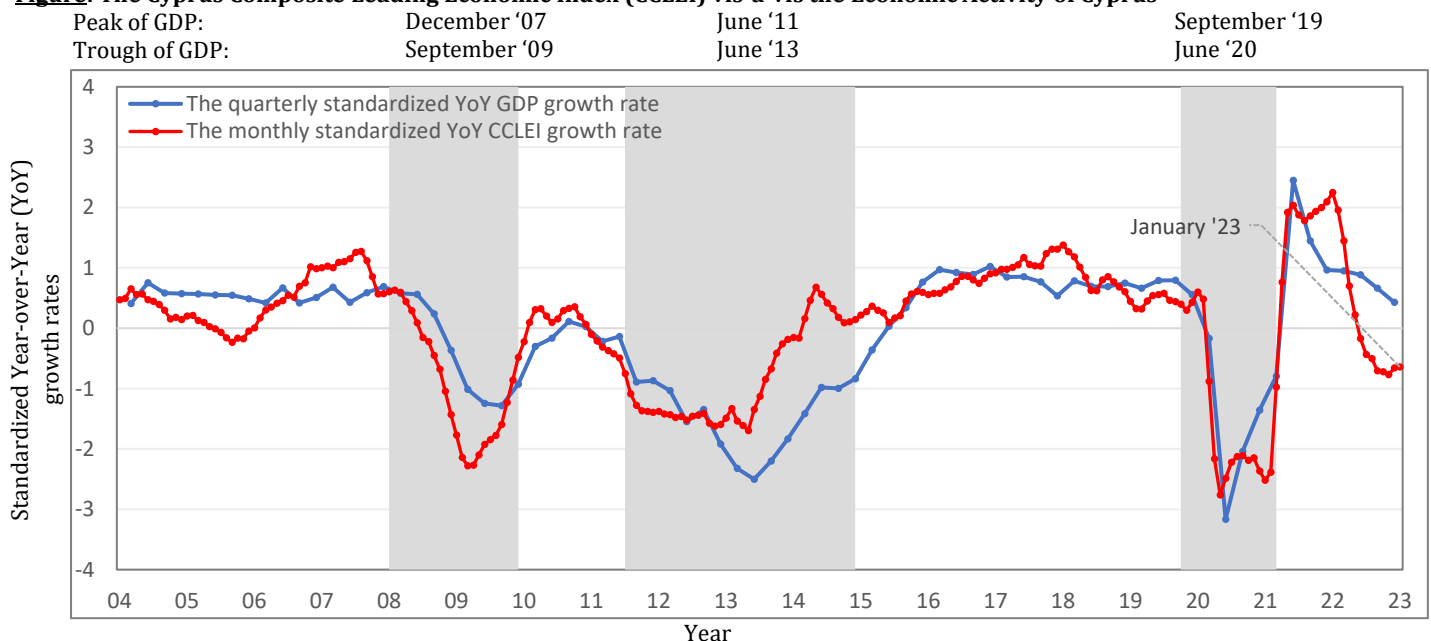
Although improved, the year-over-year growth rate of the CCLEI in January 2023 is negative. The international Brent Crude oil price was among the contributors of the CCLEI’s improvement, recording a decline in its year-over-year growth rate for the first time since January 2021. Also noteworthy is the contribution of the passenger traffic of January 2023 to Cyprus, which surpassed the 2019 record, and the expected passenger arrivals of the following months indicate the overall strengthening of the tourism sector in Cyprus in 2023. In addition, the acceleration recorded in the growth rate of the remaining domestic components of the CCLEI further reinforces the improved path of the Index. *On the contrary*, the Economic Sentiment Indicators in the euro area and in Cyprus continue to restrain the upward trend of the Index.

In summary, the improved but negative CCLEI growth rate in January 2023 is in line with economic forecasts for 2023, according to which Cyprus is expected to record a significant slowdown, compared to 2022, but not enter into a recession phase. 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 January 2023 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 passenger 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.