

The Cyprus Composite Leading Economic Index (CCLEI)

"The recovery of the Cypriot economy continues despite the outbreak of the pandemic"

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 14.8% in December² 2021, reaching a level of 115.7, after year-over-year increases of 13.7% in November and 13.1% in October (based on the latest and revised data).

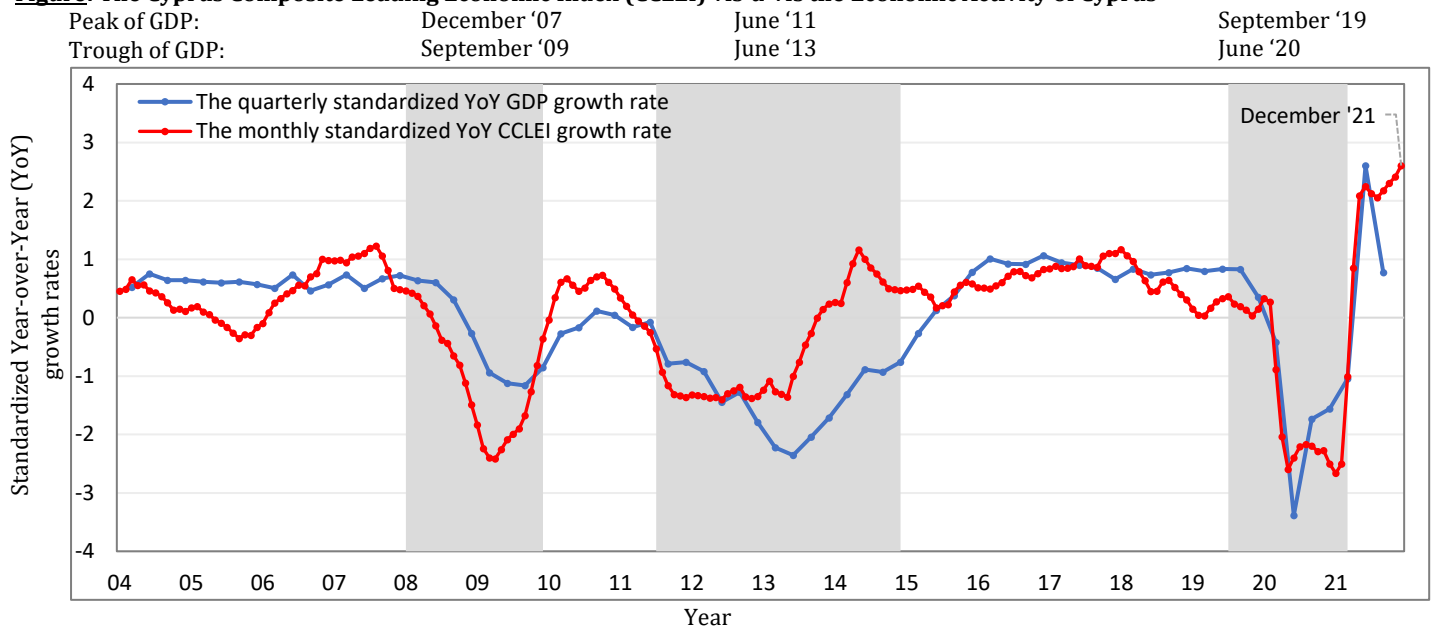
The trend of the year-over-year growth rate of the CCLEI during the last quarter of 2021 remains upward. Most of the CCLEI's domestic and international components contribute to its positive year-over-year performance in December 2021. More specifically, the Economic Sentiment Indicators (ESI) in Cyprus and the euro area strengthened in December 2021 compared to December 2020 amid the strengthening of confidence in all business sectors, and in particular, the services sector. The high positive year-over-year growth rate of the total number of property sales contracts and the positive year-over-year growth rate of the temperature-adjusted volume of electricity production in December 2021 exert a corresponding positive effect on the CCLEI and domestic economic activity. The same applies to credit card transactions. In addition, according to preliminary data in December, tourist arrivals and the volume of retail sales continue to yield a positive effect on the CCLEI. *In contrast*, the Brent Crude oil price contributes to the restraint of the year-over-year growth of the CCLEI in December, marking an increase in December 2021 compared to December 2020.

In summary, the positive year-over-year growth rate of the CCLEI during the last quarter of 2021 indicates the continuation of the Cypriot economy recovery. *Nevertheless*, the continued domestic and international restrictive measures to curb the various mutations of the pandemic and their effects are aggravating factors in the short-term prospects of the international and Cypriot 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 December 2021 is constructed based on the availability of the Brent Crude oil price, the ESI 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 for December, 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.