

The Cyprus Composite Leading Economic Index (CCLEI)

"Continuing drop of the CCLEI in October amid the highly uncertain geopolitical, economic, and health environment"

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 2.6% in October² 2022, following the year-over-year decreases of 2.6% in September and 2.1% in August 2022 (based on the recent and revised data).

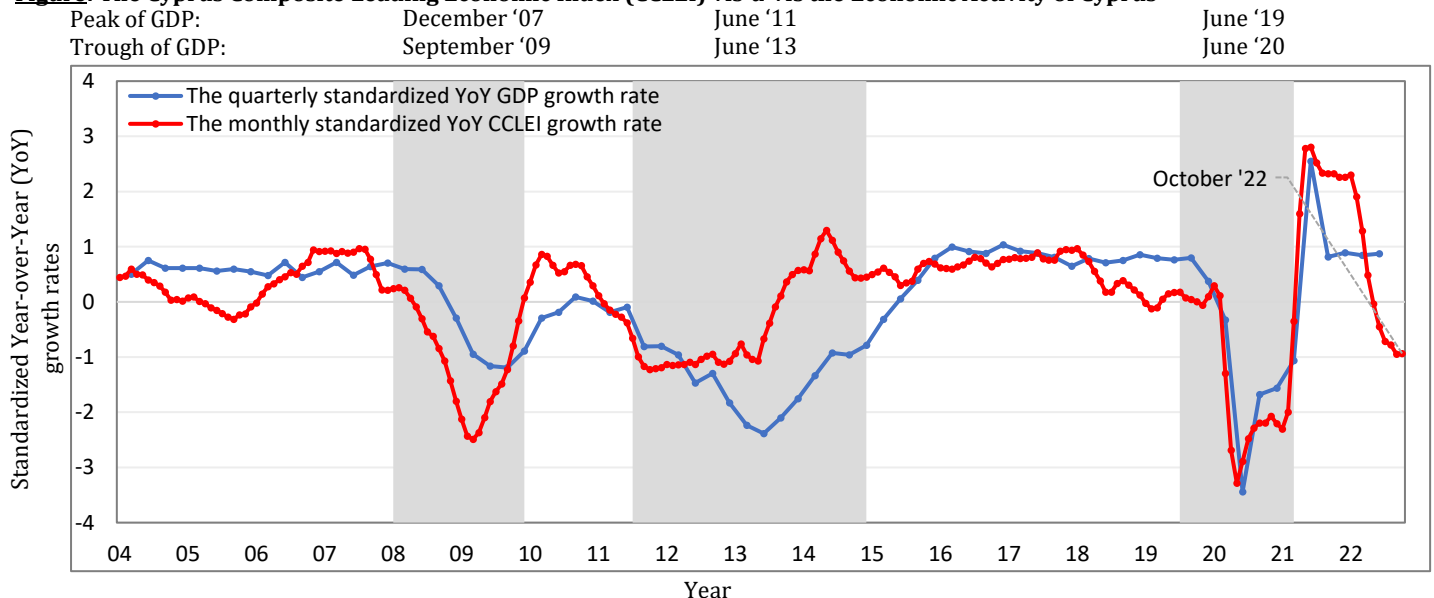
The year-over-year CCLEI growth rate is negative in October 2022 reflecting the highly uncertain geopolitical, economic, and health environment. In particular, the Economic Sentiment Indicators (ESIs) in both Cyprus and the euro area recorded a considerable year-over-year drop in October 2022, with the ESI in the euro area reaching its lowest level since November 2020. More precisely, confidence deteriorated across all business sectors in both Cyprus and the euro area, with the economic climate noting the greatest deterioration in the services sector for Cyprus and in the consumption sector for the euro area. At the same time, the international Brent Crude oil price continues to contribute a negative year-over-year growth rate of the CCLEI, recording a significant increase in its year-over-year growth rate in October 2022. Similarly, the temperature-adjusted volume of electricity production which has a relatively higher weight on the Index also contributes to its decline. *In contrast*, the acceleration recorded in the year-over-year growth rate of the remaining components of the CCLEI in October 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 tourists' arrivals, contribute to the short-term strengthening of the Cypriot economy.

In conclusion, the continuing negative year-over-year CCLEI growth rate reflects the extremely uncertain geopolitical and economic environment, as well as the potential further deterioration of the coronavirus (COVID-19) in the winter. 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 October 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.