



The Cyprus Composite Leading Economic Index (CCLEI)

Declined in October 2019 pointing to slow but still expanding economy

What is a Composite Leading Economic Index (CCLEI)?

The index that is designed to provide early signals of turning points in business cycles i.e., early evidence of the turns in economic activity. This index comprises of a number of leading economic activity variables which tend to lead changes in the overall economic activity.

What are the components of the CCLEI?

The CCLEI is the combination of multiple leading indicators which have been carefully selected from a large number of international and local variables. Currently, the components are the Brent Crude Oil price, the Euro Area Economic Sentiment Indicator, the tourists' arrivals, the value of visa card transactions, the retail trade sales turnover volume index, the volume index of electricity production, and the number of authorized building permits. The leading properties of these variables will be assessed on a regular basis.

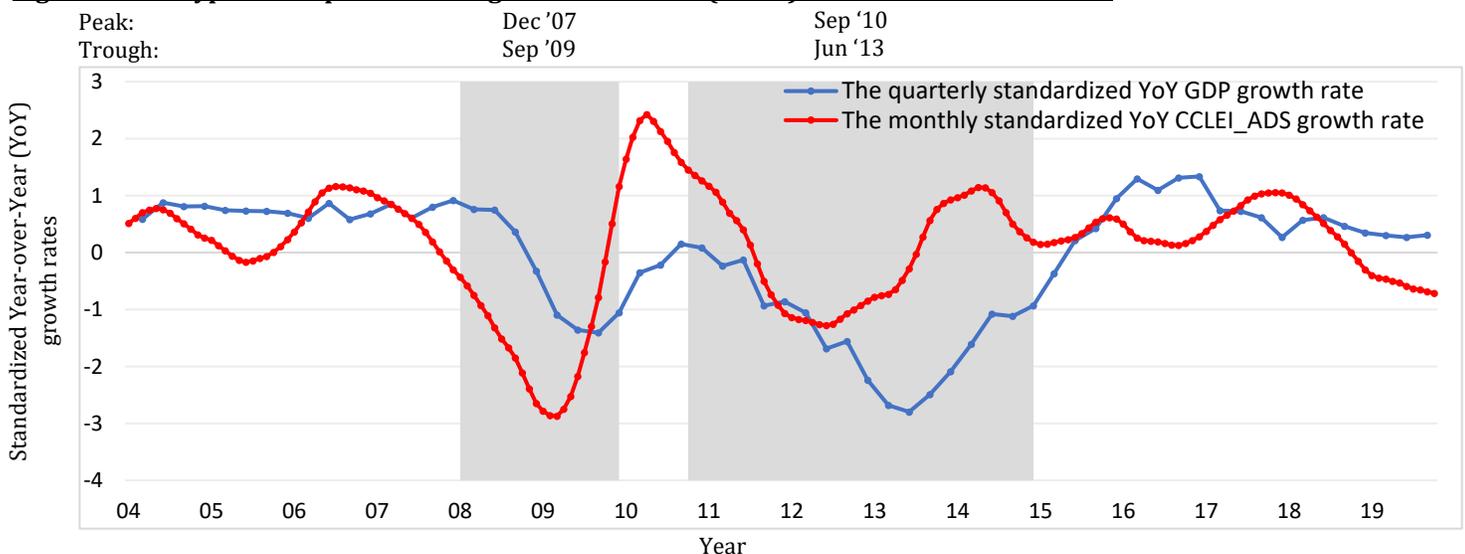
Performance of the Index in October 2019

The Cyprus Composite Leading Economic Index (CCLEI) based on the Aruoba, Diebold, and Scotti (ADS) (2009) model approach (CCLEI_ADS), exhibited a Year-over-Year (YoY) decrease of 4.3% in October 2019 reaching a level of 109.4, following decreases of 4.2% in September, and 3.9% in August and thus signals downward pressures on economic growth.

The downward pressures on the CCLEI are mainly due to the YoY reduction in the Euro Area Economic Sentiment Indicator. This reflects the deterioration of the international economic environment due to, among others, trade conflicts and the prolonged uncertainty over the Brexit process. In contrast, the YoY decline in oil prices as well as the YoY positive performance of domestic indicators, in particular, retail sales volume, credit card transactions and tourist arrivals, have contributed to a smoother reduction of the Index.

In summary, recent downward trends in the CCLEI are due to the deteriorating external environment. The negative developments in the external environment, however, in conjunction with the YoY positive performance of domestic variables, are in line with the forecasts of international and domestic organizations for the Cypriot economy, which is expected to continue expanding but at a slower pace.

Figure 1: The Cyprus Composite Leading Economic Index (CCLEI) declined in October 2019



-Note that for comparison purposes, the quarterly YoY GDP growth rate vis-à-vis the monthly YoY CCLEI_ADS growth rate are presented in a standardized format. Shade areas refer to recession periods defined following the CERP Euro Area Business Cycle Dating Committee and the conventional recession definition of at least two consecutive quarters of negative YoY GDP growth rate (2008M01-2009M12 & 2010M10-2014M12).

-Source: Economics Research Centre (ERC) - Department of Economics @ University of Cyprus (UCY).