

# The Cyprus Composite Leading Economic Index (CCLEI)

"Signs of recovery of the Cypriot economy following the strong effects of the pandemic"

## What is a Composite Leading Economic Index (CLEI)?

The CLEI 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 which have been carefully selected from a large pool of local and international leading indicators currently are: the Brent Crude oil price, the euro area Economic Sentiment Indicator (ESI), the total property sales of 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 Index<sup>1</sup> (CCLEI) recorded a year-over-year increase of 3.9% in April<sup>2</sup> 2021 reaching a level of 101.5, after the year-over-year reductions of 2.5% in March and 8.8% in February (based on the latest and revised data).

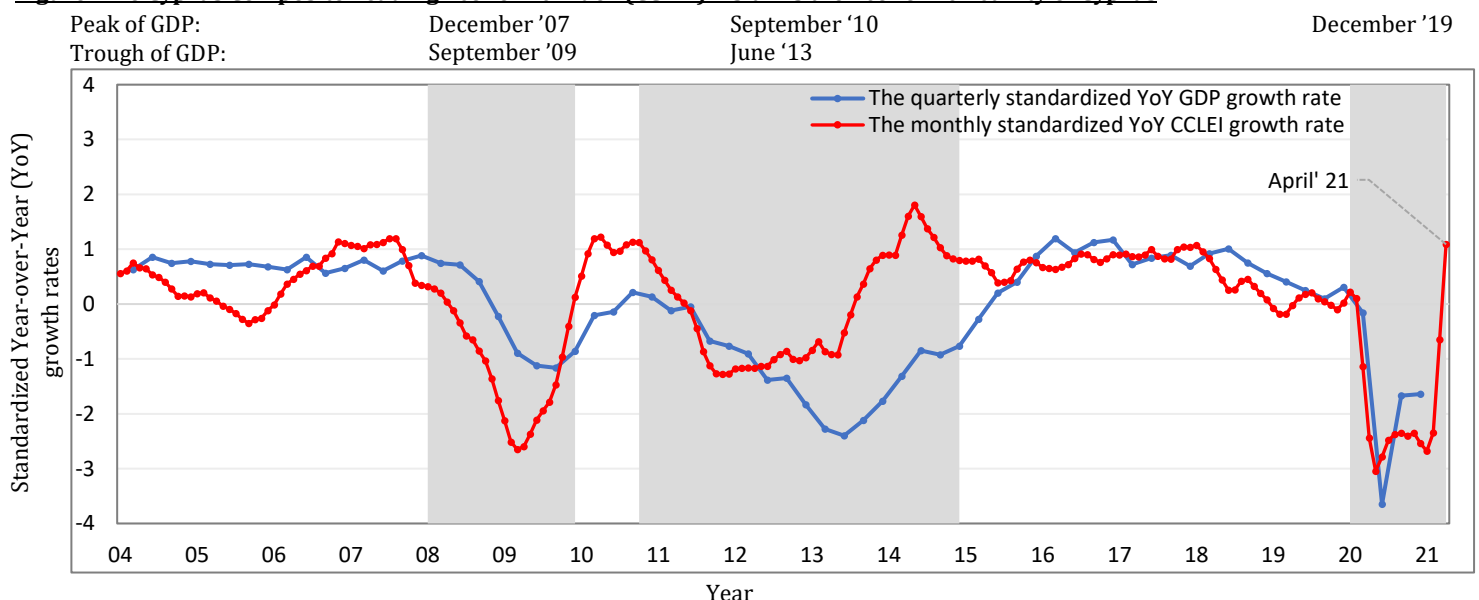
The increase of the CCLEI in April 2021 reflects the extensive vaccination campaigns against the COVID-19 pandemic, which helped improved economic growth expectations and conditions. More specifically, both the Economic Sentiment Indicator (ESI) in the euro area, and the Economic Sentiment Indicator in Cyprus significantly strengthened in April 2021. It is worth mentioning that, the deterioration of the business climate in Cyprus recorded in March 2021 subsided and strengthening significantly in April 2021. At the same time, despite their low levels, tourist arrivals, as well as a number of domestic variables, have a positive effect on the CCLEI and the growth of the domestic economy. In particular, preliminary data indicate the recording of a positive year-over-year growth rate in March and especially April 2021 for both the volume of electricity production and the volume of retail sales. In addition, the significant year-over-year increase in the total number of property sales contracts continues in April 2021, as well as the recording of positive year-over-year growth rates of credit card transactions. On the other hand, the formation of oil prices (Brent Crude) at pre-pandemic levels contributes negatively to the year-over-year growth rate of the CCLEI. It worth noting that, the rise of most components of the CCLEI reflects not only the extensive vaccination campaigns, but also the improvement of the economy from the strong effects suffered from the pandemic.

In summary, the rise of the CCLEI in April 2021 suggests that the Cypriot economy is on the road to recovery following the strong effects suffered from the pandemic. However, the short-term growth prospects of the Cypriot economy still depend on the evolution of the COVID-19 pandemic, and in particular on the speed of vaccination campaigns. Further information regarding the methodology of constructing the CCLEI can be found at: [Cyprus Composite Leading Economic Index \(CCLEI\)](#)

### Notes:

1. The CCLEI Index was estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for April 2021 is constructed based on the availability of the Brent Crude oil price, the euro area Economic Sentiment Indicator, the total number of property sales contracts, as well as the high frequency data of the passengers' arrivals and the volume of electricity production for April, while its other components are 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.