University of Cyprus
Economics Research Centre

HELLENIC BANK

The Cyprus Composite Leading Economic Index (CCLEI)

"The slowdown of the CCLEI's positive year-over-year growth continues in March"

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 Index[1] (CCLEI) recorded a year-over-year increase of 11.3% in March[2] 2022, reaching a level of 115.4, after year-over-year increases of 14.2% in February and 15.3% in January 2022 (based on recent and revised data).

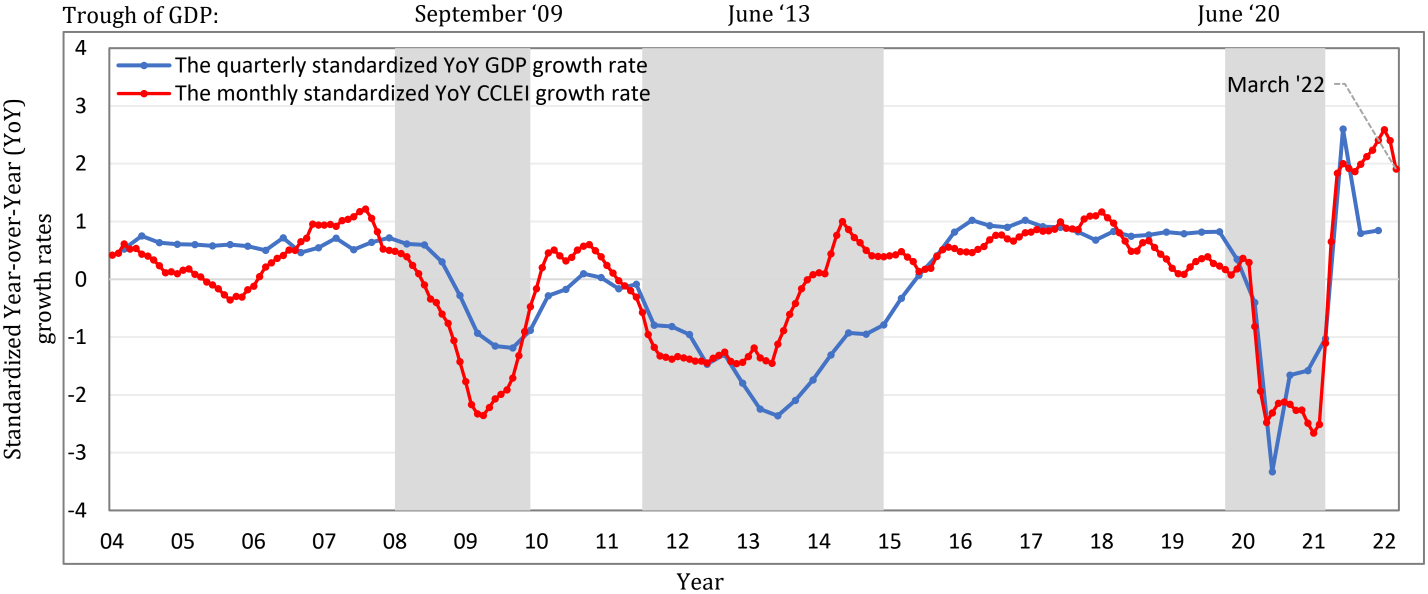
The positive year-over-year growth rate of the CCLEI continues to slow down in March 2022. More specifically, the jump in the Brent Crude oil price in March 2022 to historically high levels contributes to the slowdown in the positive year-over-year growth rate of the CCLEI in March. In addition, although the Economic Sentiment Indicators (ESI) in Cyprus and the euro area strengthened in March 2022 compared to last year, the deterioration of consumer confidence combined with the weaker improvement in all other business sectors restrained the CCLEI. The retail sales volume puts further barriers to the CCLEI growth, with the year-over-year growth rate of retail sales falling in February and March (based on preliminary data). The expected slowdown to the growth rate of tourists' arrivals in March, due to the war, contributes also in the same direction. *In contrast*, the temperature-adjusted volume of electricity production, the value of credit card transactions, and the total number of property sales contracts continue to positively bear the CCLEI, recording an acceleration in their growth rate in March 2022 compared to last year.

In summary, although the Cypriot economy showed signs of recovery from the pandemic crisis, the slowing growth rate of the CCLEI in February and March 2022 reflects the impact of the consequences triggered by the Russia-Ukraine war and the international sanctions against Russia on the short-term development prospects of the Cypriot economy. Further information regarding the methodology of constructing the CCLEI can be found at: CCLEI

Notes:
1. The CCLEI Index is estimated based on the econometric model of Aruoba, Diebold and Scotti (ADS) (2009).
2. The CCLEI for March 2022 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 in March, 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

Peak of GDP:	December '07	June '11	September '19
Trough of GDP:	September '09	June '13	June '20



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.