

The Cyprus Composite Leading Economic Index (CCLEI)

“Economic activity continues to recover, but, uncertainty remains amid the increased rates of COVID-19 cases in July”

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 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 Index¹ (CCLEI) recorded a year-over-year increase of 13.4% in July² 2021, reaching a level of 111.5, after year-over-year increases of 14.5% in June and 14.0% in May (based on the latest and revised data).

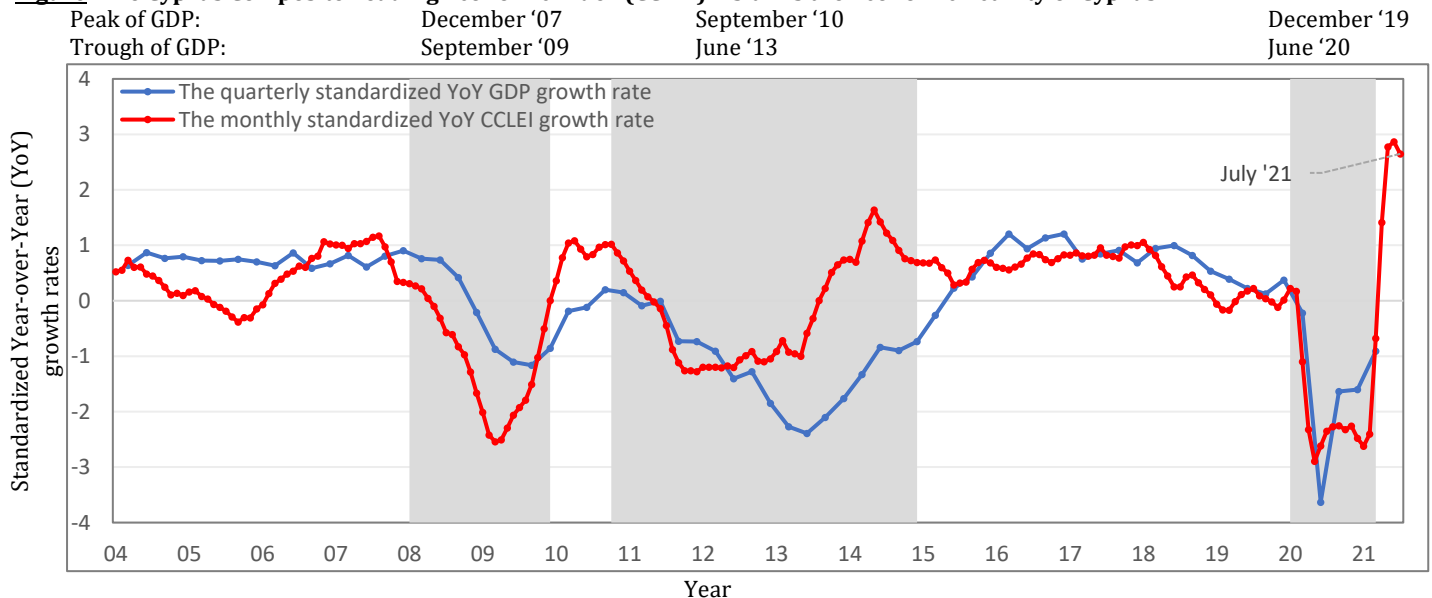
The recording of positive year-over-year growth rates of the CCLEI continues in July 2021, albeit weaker. The positive year-over-year growth rate of CCLEI is due, in part, to the steady progress of vaccination campaigns and the improved expectations and conditions it creates. More specifically, according to preliminary data in June and July, a positive effect on the CCLEI and domestic economic activity is still exerted by tourist arrivals, which present a relatively good -tourist- depiction of July amid a pandemic, as well as the volume of retail sales. *Nevertheless*, the smaller relative increase in the Index in July reflects the increased rates of COVID-19 cases both in Cyprus and internationally, and thereby, the continuing uncertainty instigated by the coronavirus pandemic. This uncertainty is reflected in the weaker improvement recorded by the Economic Sentiment Indicator (ESI) in the euro area in July 2021, compared to previous months, as well as the deterioration of the ESI in Cyprus in July 2021 compared to June, amid the decline in consumer confidence and confidence in the services sector. At the same time, although positive, a weaker year-over-year growth rate was recorded in the total number of property sales contracts, while a negative year-over-year growth rate was recorded in credit card transactions in July 2021.

In conclusion, the positive year-over-year growth rate of the CCLEI in recent months outlines the path towards the recovery of the Cypriot economy. However, the increased incidence rates in July underline the uncertainty due to the COVID-19 pandemic and all its interrelated mutations. 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 July 2021 is constructed based on the availability of the Brent Crude oil price, the Economic Sentiment Indicator 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 volume of electricity production for July, 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.