

The Cyprus Composite Leading Economic Index (CCLEI)

“Gradual recovery of the Cypriot economy - uncertainty remains”

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 11.2% in June² 2021 reaching a level of 108.0, after year-over-year increases of 10.6% in May and 5.5% in April (based on the latest and revised data).

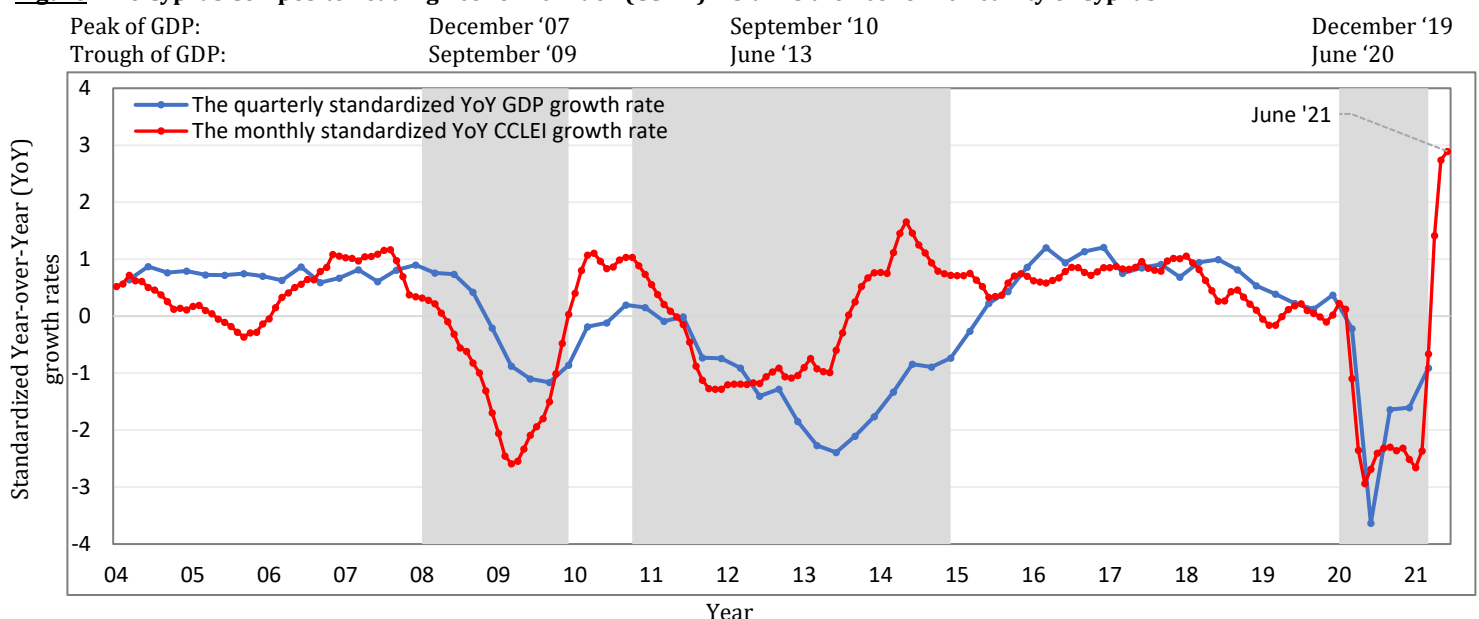
The year-over-year growth rate of the CCLEI in the second quarter of 2021 is recorded positive, following the negative effects that the Cypriot economy suffered from the coronavirus pandemic in the previous quarter. The positive year-over-year growth rate of the CCLEI is attributed to the improved expectations created by the significant progress in vaccination campaigns. Specifically, both the Economic Sentiment Indicator (ESI) in the euro area as well as in Cyprus were strengthened in June 2021, with the strengthening of the ESI in the euro area, and especially in Cyprus, attributed to the improvement of confidence in the services sector. At the same time, a number of domestic factors as well as the low tourist arrivals for the season continue to have a positive effect on the CCLEI and the domestic economic activity. In addition, the year-over-year growth rates of the total number of property sales contracts, as well as credit card transactions in June 2021 remain positive. Furthermore, preliminary data indicate the recording of positive year-over-year growth rates in May and June 2021, both for the volume of electricity production and the volume of retail sales. In general, the rise of most components of the CCLEI reflects the gradual recovery of the Cypriot economy.

In summary, the positive year-over-year growth rate of the CCLEI in the second quarter of 2021 prescribes the path towards recovery of the Cypriot economy. However, uncertainty is important, as the short-term economic outlook remains dependent on the pandemic, both in Cyprus and internationally. 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 June 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 June, while 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.