

The Cyprus Composite Leading Economic Index (CCLEI)

“Recovery of the economic activity in an uncertain environment”

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 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 11.3% in September² 2021, reaching a level of 114.5, after year-over-year increases of 10.8% in August and 11.0% in July (based on the latest and revised data).

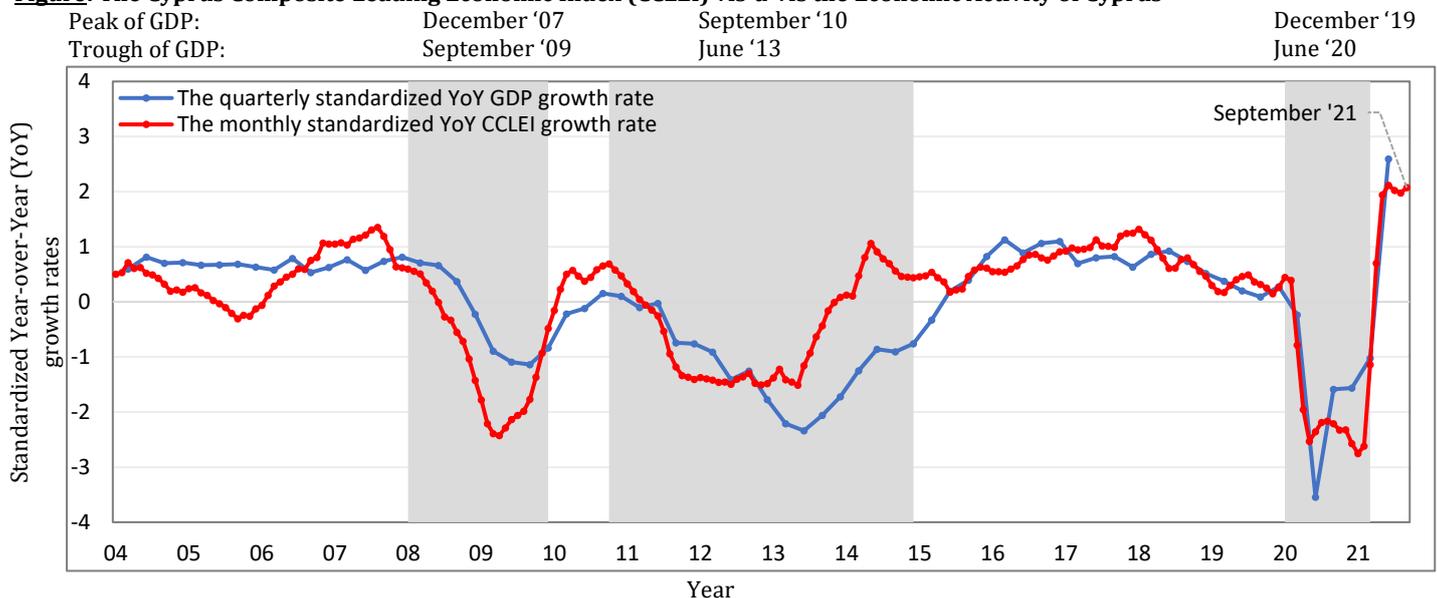
The year-over-year growth rate of CCLEI is recorded positive during the third quarter of 2021. More specifically, according to preliminary data in September, a positive effect on the CCLEI and domestic economic activity is exerted by tourist arrivals and the volume of retail sales during the third quarter of 2021. Moreover, the total number of property sales contracts continues to contribute to the positive year-over-year performance of the CCLEI in September. The same applies to the credit card transactions, whose negative year-over-year growth rate in the previous two months, is reversed. However, it is noted that the reversal of the growth rate of credit card transactions may be due, in part, to the new decree of mandatory use of credit cards in the retail sector. In addition, a positive effect on the CCLEI is exerted by the Economic Sentiment Indicators (ESI) in Cyprus and the euro area, which strengthened in September 2021 compared to September 2020 due to the strengthening of confidence in all business sectors except the construction sector in Cyprus. On the other hand, the negative year-over-year growth rate of the volume of electricity production, as well as the significant year-over-year increase in the Brent crude oil price, contribute to the restraint of the year-over-year growth of the Index in September.

In conclusion, the recording of positive year-over-year growth rates of the CCLEI during the last two quarters of 2021 indicates a path towards the recovery of the Cypriot economy, which, however, continues to depend on the future development of the COVID-19 pandemic. 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 September 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 September, 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.