

The Cyprus Composite Leading Economic Index (CCLEI)

"The Cypriot economy remains on a recovery path despite the inflationary pressures and the continuing challenges of the pandemic"

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 Index¹ (CCLEI) recorded a year-over-year increase of 14.8% in January² 2022, reaching a level of 109.4, after year-over-year increases of 14.4% in December 2021 and 13.8% in November (based on recent and revised data).

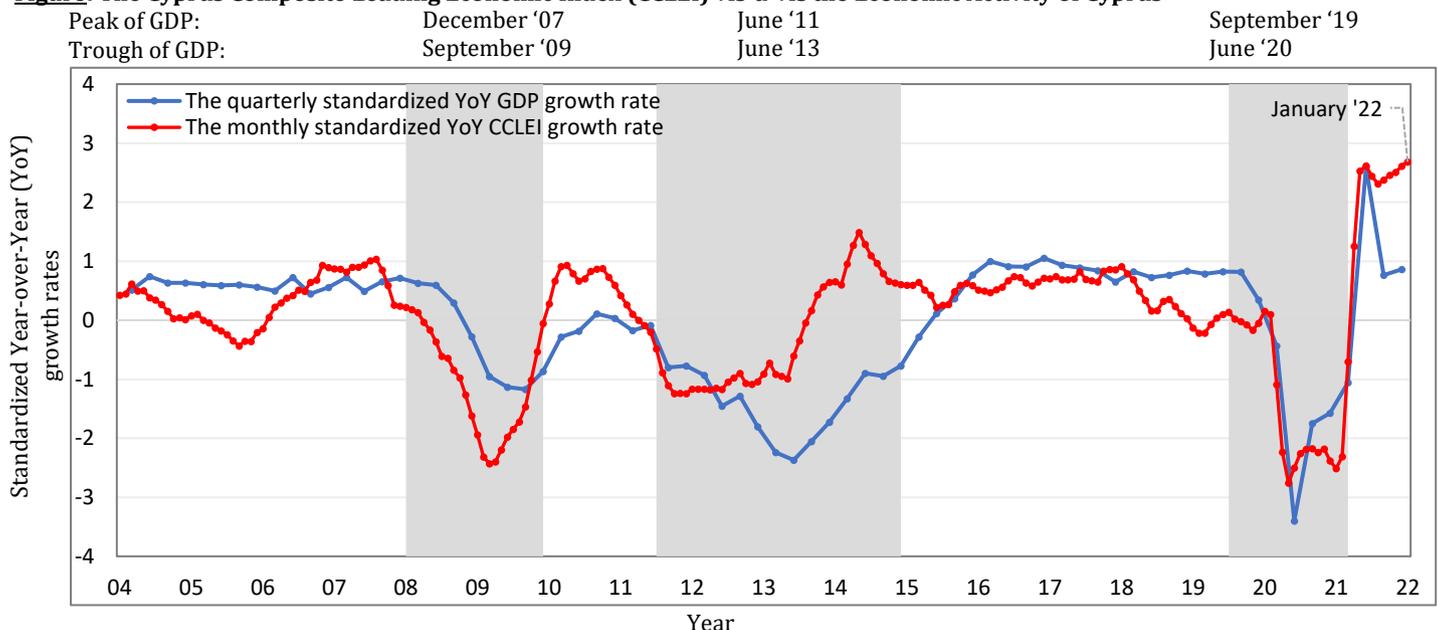
Most of the CCLEI's domestic and international components contributed to its upward trend in January 2022. More specifically, the strengthening of confidence in all business sectors, and especially in the services sector in January 2022 compared to January 2021, strengthened the Economic Sentiment Indicators (ESI) in Cyprus and the euro area, that compose the CCLEI. Moreover, the total number of property sales contracts and the temperature-adjusted volume of electricity production continue to have a positive effect on the CCLEI, increasing in January 2022 compared to a year ago. The value of credit card transactions also shows a significant year-over-year increase. The tourists' arrivals and the retail sales volume continue to exert a positive effect on the CCLEI and domestic economic activity, according to preliminary data in January. *In contrast*, the Brent Crude oil price contributes to the restraint of the CCLEI's growth in January, since it marked a significant increase in January 2022 compared to January 2021.

In conclusion, the Cypriot economy will remain on a recovery pace according to the positive year-over-year growth rate of the CCLEI recorded in January 2022, *although* the rising price of the Brent Crude oil and the continuing challenges of the pandemic continue to be aggravating factors in its short-term development prospects. 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 January 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 January, 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.