

# The Cyprus Composite Leading Economic Index (CCLEI)

"Fall of the CCLEI within an extremely uncertain geopolitical and economic 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 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<sup>1</sup> (CCLEI) recorded a year-over-year decrease of 0.1% in May<sup>2</sup> 2022, reaching a level of 102.2, after year-over-year increases of 1.6% in April and 4.4% in March 2022 (based on recent and revised data).

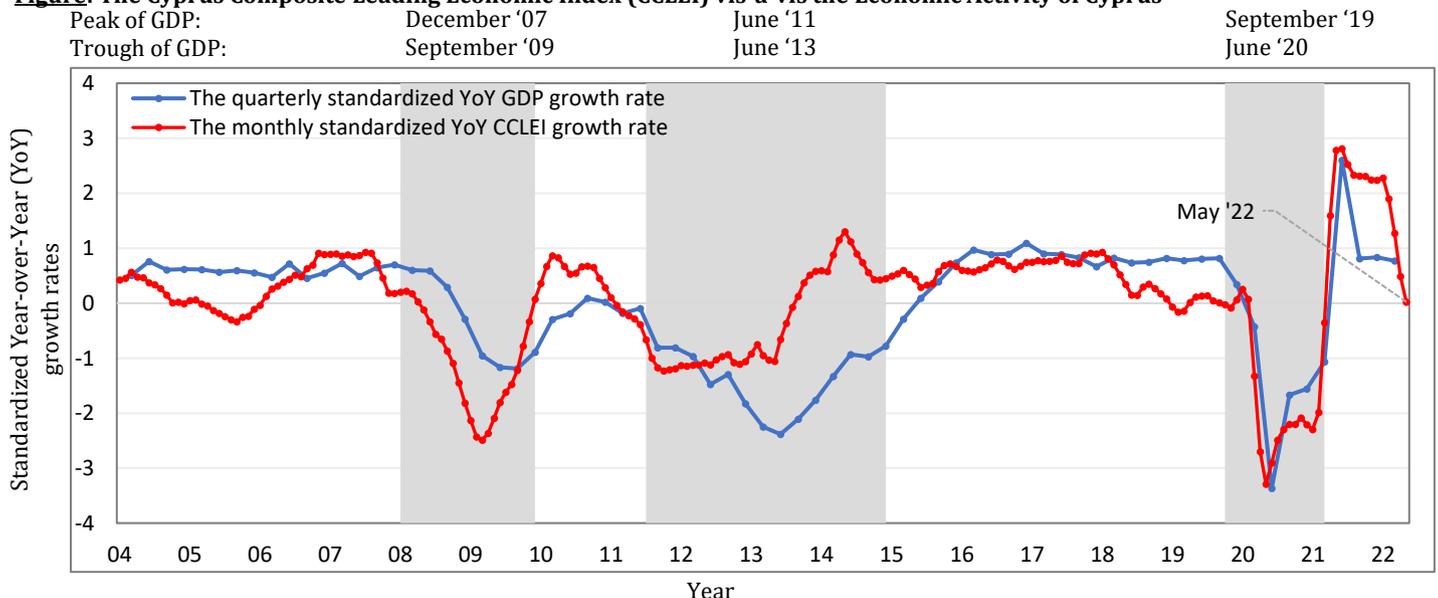
The year-over-year growth rate of the CCLEI is negative in May 2022. The fall of the CCLEI in May is attributed to the *difficult and fluid geopolitical and economic environment* due to the Russo-Ukrainian war, sanctions against Russia, and high energy costs. In particular, the international Brent Crude oil price jumped to its historically highest level in May 2022, surpassing the corresponding prices of the oil crises of the 1970s. At the same time, the negative year-over-year growth rate of the CCLEI is due to contribution of the Economic Sentiment Indicators (ESI) in the euro area and in Cyprus, which deteriorated in May 2022 amid deteriorating business confidence, and in particular, consumer confidence. *In contrast*, most of the CCLEI's domestic components contribute to the restraint of the CCLEI's drop, recording an acceleration in their growth rate in May 2022 compared to the corresponding month of last year. In particular, the growth rate of total property sales contracts, the value of credit card transactions, tourists' arrivals, the temperature-adjusted volume of electricity production as well as the growth rate of retail sales volume, according to preliminary data, have accelerated.

*In summary*, although the Cypriot economy rebounded significantly after the strong shock caused by the coronavirus pandemic, the negative year-over-year growth rate of the CCLEI in May 2022 reflects the *extremely uncertain geopolitical and economic environment* affecting its short-term economic growth prospects, but also the short-term economic growth prospects of the global 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 May 2022 is constructed based on the availability of the Brent Crude oil price, the Economic Sentiment Indicators (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 May, 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.