

# The Cyprus Composite Leading Economic Index (CCLEI)

"Prospects for recovery of the Cypriot economy following the strong effects of the pandemic"

## What is a Composite Leading Economic Index (CLEI)?

The CLEI 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 which have been carefully selected from a large pool of local and international leading indicators currently 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 Index<sup>1</sup> (CCLEI) recorded a year-over-year increase of 9.9% in May<sup>2</sup> 2021 reaching a level of 109.4, after a year-over-year increase of 4.2% in April and a year-over-year reduction of 6.0% in March (based on the latest and revised data).

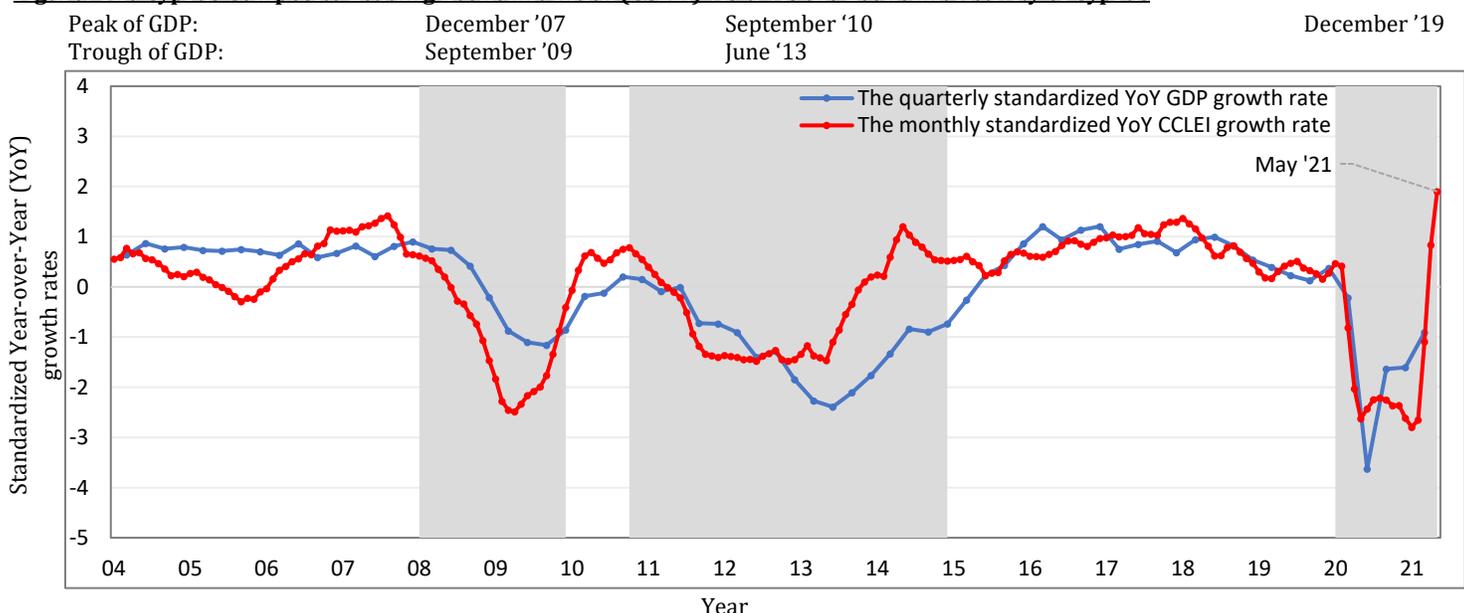
The positive year-over-year growth rate of the CCLEI recorded in May and April 2021 reflects the improved expectations and prospects for economic growth following the strong impact that the Cypriot economy has suffered from the pandemic. Specifically, both the Economic Sentiment Indicator (ESI) in the euro area and the ESI in Cyprus strengthened in May 2021, after the significant improvement they presented in April. It is noted that, the strengthening of the ESI in Cyprus and in the eurozone in May 2021 is mainly attributed to the improvement of confidence in the services sector, but also in all other business sectors. At the same time, despite their low levels for the season, tourist arrivals, as well as a number of domestic variables, still have a positive effect on the CCLEI and in part on the growth of domestic economic activity. More specifically, preliminary data indicate a positive year-over-year growth rate in April and May 2021, both for the volume of electricity production and the volume of retail sales. In addition, positive year-over-year growth rates of the total number of property sales contracts, as well as credit card transactions continue in May 2021. In general, the increase in most of the 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 May and April 2021 prescribes the path towards recovery of the Cypriot economy, which, however, still depends on the developments 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 May 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 April, 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.