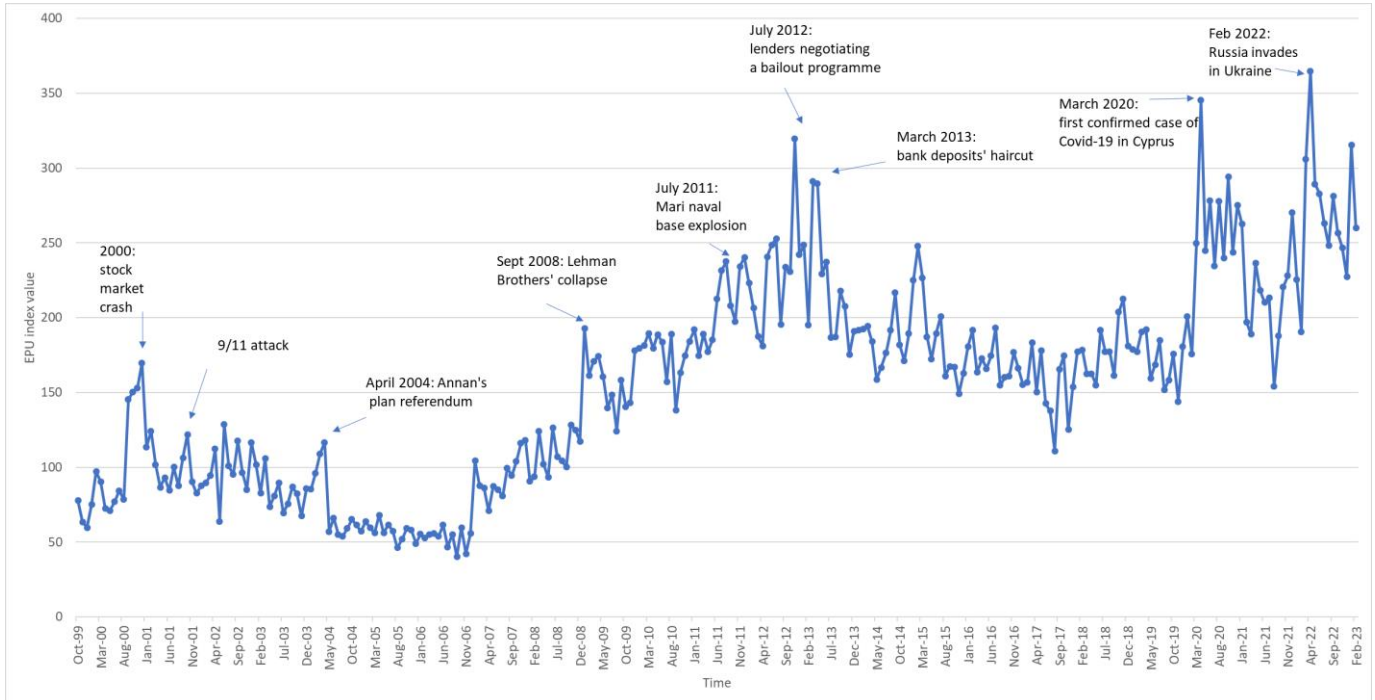




THE ECONOMIC POLICY UNCERTAINTY (EPU) INDEX FOR CYPRUS:

Uncertainty falls in February 2023 following a temporary peak during January due to elections



The Economic Policy Uncertainty (EPU) index and its estimation

The Economic Policy Uncertainty (EPU) index was introduced by Baker, Bloom και Davis in 2016. It is an index that quantifies economic uncertainty with regard to the efficiency of the economic policies applied. The EPU index is based on textual analysis. More specifically, its construction is based on the number of newspaper articles that include at least one word related to each of the following 3 categories: Economy (E), Policy (P), και Uncertainty (U). So far, the EPU is constructed for almost 30 countries (11 of them in Europe). The Economics Research Centre of the University of Cyprus now constructs the corresponding EPU index for Cyprus, as shown in the graph above, and analyses the effects of economic uncertainty on the Cypriot economy. We find that uncertainty in Cyprus until 2007 was on average lower and less volatile, while after 2008 it started increasing, with the higher peaks being recorded in 2012 due to the banking crisis, in 2020 due to the Covid-19 pandemic, and in 2022 due to the Russia-Ukraine war. More information: [Tzika \(2022\)](#).

During winter 2022-23, the level of uncertainty measured by the Cyprus EPU index is on average slightly higher compared to autumn 2022. During January 2023 economic uncertainty in Cyprus increases temporarily, a peak driven mainly by the presidential elections. In February 2023, the value of the EPU index drops again to lower levels. It is noteworthy that presidential election periods have led to similar temporary increases in uncertainty in other countries (such as Greece, the US, and Ireland). The EPU index is equal to 227.20, 315.47, and 260.13 in December, January, and February, respectively. It would be interesting to measure the increase in economic uncertainty in the next months, triggered by the banking turbulence that erupted after the collapse of the Silicon Valley Bank on the 10th of March. It remains to be seen how large the increase in uncertainty will be and compare the Cyprus EPU with that in other European countries.