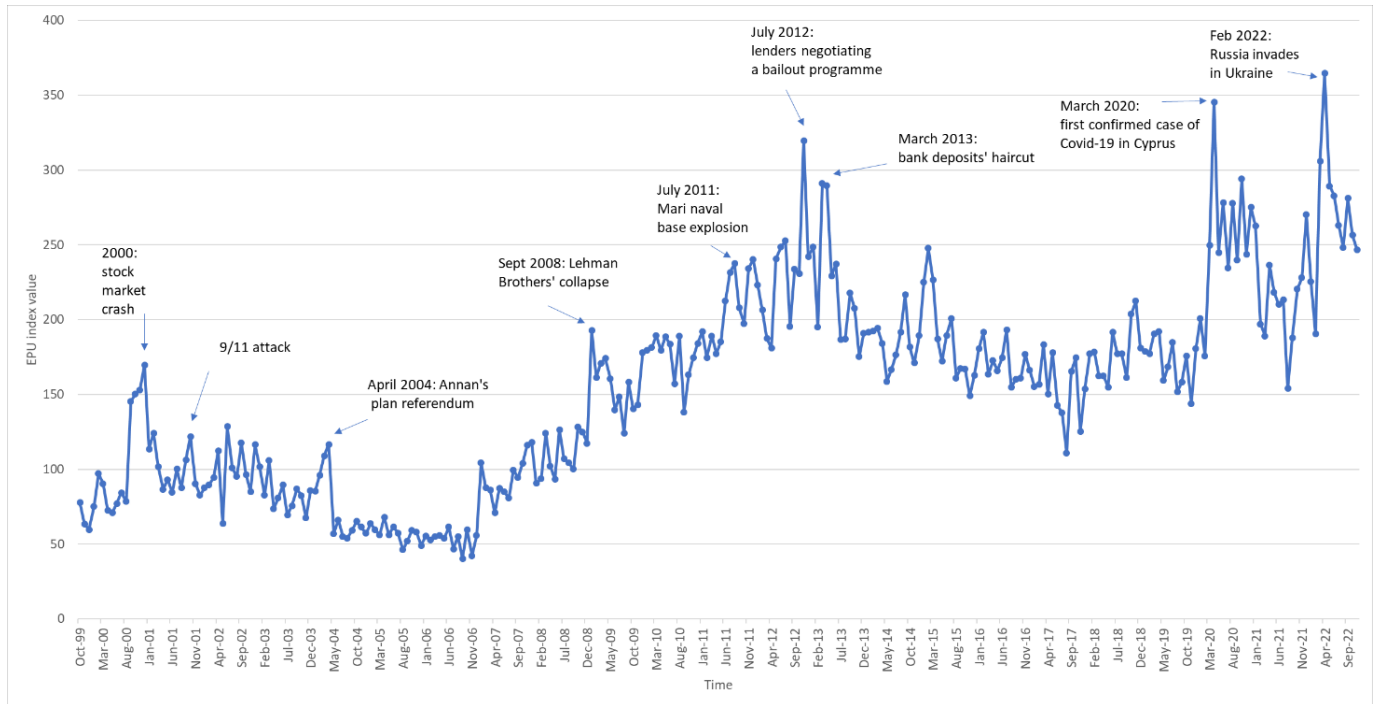




THE ECONOMIC POLICY UNCERTAINTY (EPU) INDEX FOR CYPRUS:

Uncertainty in November remains at the same levels as in the summer months of 2022



The Economic Policy Uncertainty (EPU) index and its estimation

The Economic Policy Uncertainty (EPU) index was introduced by [Baker, Bloom, and 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), and 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 the last quarter, the level of uncertainty measured by the Cyprus EPU index is very close to that during the summer months. Specifically, the EPU index in August was 248.28, while in November it was 246.88, much lower compared to spring, when economic uncertainty in Cyprus reached unprecedented levels due to the Russia-Ukraine war. During the autumn of 2022, the EPU index was equal to 281.22, 256.67, and 246.88 in September, October, and November, respectively. Uncertainty in September had a temporary small peak, partly due to the political instability in the United Kingdom, while in October and November uncertainty fell back to a lower level. The Cyprus EPU index shows that uncertainty is still at higher levels compared to those during the pre-pandemic era. The European EPU index is also rising during September. Contrary to the Cyprus EPU, the European EPU peak in September is relatively higher than the one in March due to the Russia-Ukraine war in spring.