

The Cyprus Composite Leading Economic Index (CCLEI)

"February 2024: CCLEI downtrend continues"

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 several 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 property sales contracts, the tourist arrivals in Cyprus, the value of Cypriot credit card transactions, the retail trade sales turnover volume index, and the temperature-adjusted volume index of electricity production.

The Cyprus Composite Leading Economic Index¹ (CCLEI), constructed and estimated by the Economics Research Centre (CypERC) of the University of Cyprus, recorded a year-over-year increase of 0.1% in February² 2024, following the year-over-year increases of 0.7% and 1.6% in January 2024 and December 2023, respectively (based on latest and revised data).

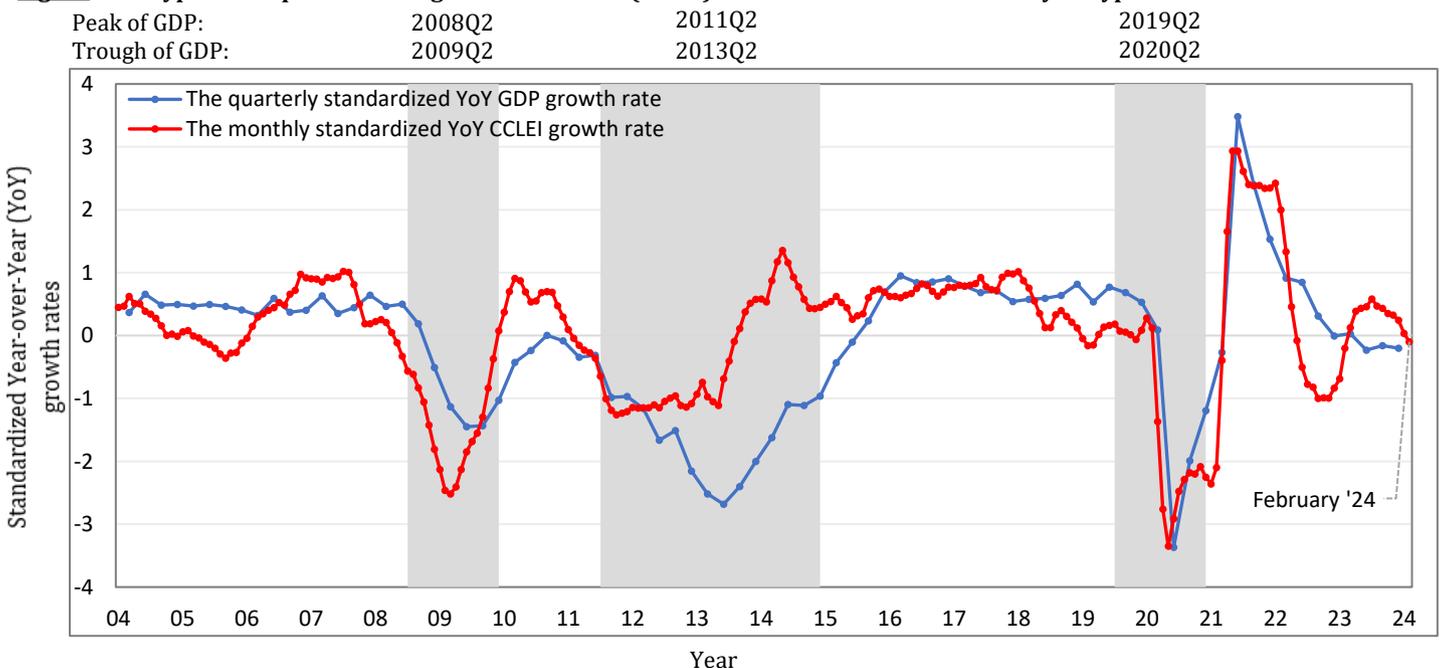
The year-over-year growth rate of the CCLEI continues its downward trend also in February 2024. The prevailing developments and uncertainties are inevitably restraining the CCLEI growth. Several major European economies appear to be at risk of entering recessionary phases, while persistent military conflicts in the Middle East continue alongside the ongoing Russia-Ukraine war (with no signs of resolution). As a result, the negative year-over-year growth rate of the Economic Sentiment Indicator (ESI) in the euro area continues in February 2024. In addition, the year-over-year growth rate of the ESI in Cyprus is also negative for the first time since February 2023. Nevertheless, the year-over-year CCLEI growth rate in February 2024 remains positive, albeit marginally, due to the slight decline in the year-over-year growth rate of the international Brent Crude oil price and the growth of various domestic components of the CCLEI in February 2024, compared to February 2023, including of property sales contracts, tourist arrivals in Cyprus, credit card transactions, electricity production, as well as the slight increase in retail sales volume.

In summary, the year-over-year CCLEI growth rate continues to slow in February 2024. The international economic and geopolitical uncertainties inevitably affect the growth of the CCLEI, and therefore the growth prospects of the Cypriot economy. Further information regarding the methodology of constructing the CCLEI can be found at: [CCLEI](#).

Notes:

1. The CCLEI is estimated based on the econometric model of Aruoba, Diebold, and Scotti (2009).
2. The CCLEI for February 2024 is estimated based on the availability of the Brent Crude oil price, the ESI in the euro area and in Cyprus, the property sales contracts, the tourist arrivals, the credit card transactions, as well as the high-frequency data of the temperature-adjusted volume of electricity production. On the other hand, 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 Year-over-Year (YoY) quarterly growth rate of the Gross Domestic Product (GDP) vis-à-vis the YoY monthly 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.