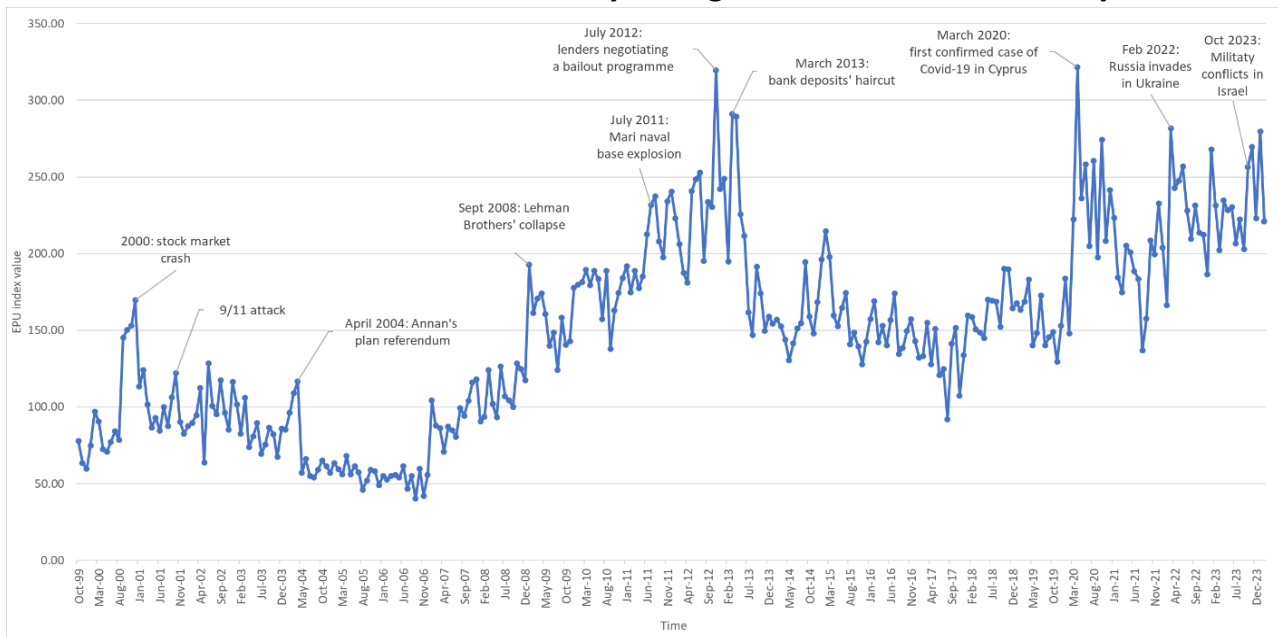




THE ECONOMIC POLICY UNCERTAINTY (EPU) INDEX FOR CYPRUS: Fluctuations in economic uncertainty during December 2023 - February 2024



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 \(2022\)](#).

The level of economic uncertainty in Cyprus fluctuated during the period December 2023 - February 2024, with a temporary increase noted in January. Specifically, the EPU index varied from 223.04 in December to 279.76 in January and dropped to 221.14 in February. The peak of the EPU index in January stemmed from the increased geopolitical turmoil -the crisis in the Middle East and the Red Sea- which raised concerns about global trade disruption and economic consequences. Similar temporary increases were observed in the European EPU index in January. However, in February, we observed a decline in economic uncertainty both in Cyprus and Europe, close to December levels, a fact that indicates a relative de-escalation of economic uncertainty, which still remains at historically high levels.