

The Cyprus Composite Leading Economic Index (CCLEI)

"March 2024: The year-over-year CCLEI growth rate is negative"

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 decrease of 0.9% March² 2024, following the year-over-year decrease of 0.6% and year-over-year increase of 0.2% in February and January 2024, respectively (based on latest and revised data).

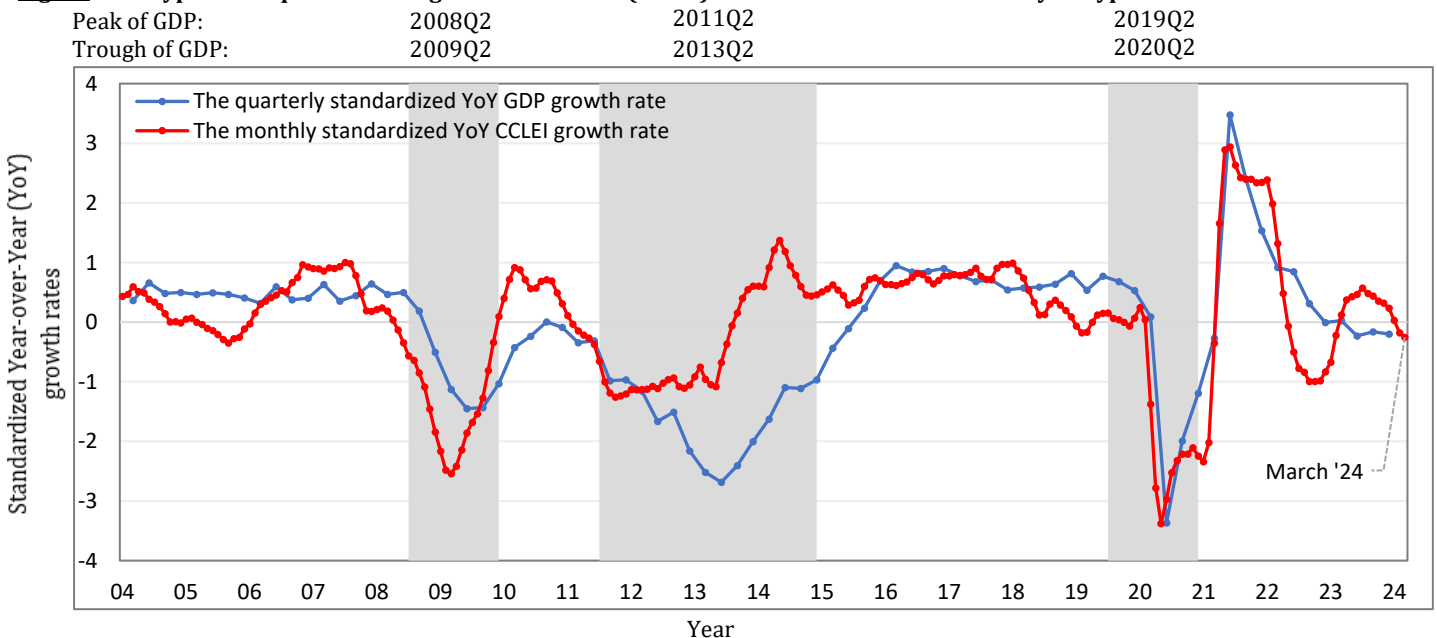
The prevailing international developments and uncertainties inevitably contribute to the CCLEI fall in March 2024. The ongoing war between Russia and Ukraine and military conflicts in the Middle East exacerbate international uncertainty, with uncertainty in Cyprus escalating significantly in March 2024 compared to March 2023. As a result, the year-over-year growth rates of the Economic Sentiment Indicators (ESI) in the euro area and in Cyprus in March 2024 are negative, with the deterioration of the year-over-year growth rate of the ESI in Cyprus exceeding that of the ESI in the euro area. The negative year-over-year growth rate of the CCLEI in March is also due to the negative year-over-year growth rate of property sales contracts, as well as the increase in the international Brent Crude oil price, which, for the first time since December 2022, shows an escalation in its year-over-year growth rate. Although the growth in the remaining domestic components of the CCLEI moderates the drop in the CCLEI in March, the recent flare-up in the Middle East is adding to the uncertainty, and is likely to affect oil prices and inflation, and thus, the CCLEI growth rate in the short term.

In summary, the CCLEI growth and the development prospects of the Cypriot economy are highly dependent on the international economic and geopolitical environment, with the year-over-year CCLEI growth rate noting a decline in March 2024. 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 March 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.