

# The Cyprus Composite Leading Economic Index (CCLEI)

*“The year-over-year growth rate of the CCLEI was positive in July”*

## 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 Index<sup>1</sup> (CCLEI), constructed and estimated by the Economics Research Centre (CypERC) of the University of Cyprus, recorded a year-over-year increase of 0.8% in July<sup>2</sup> 2024, following the year-over-year increases of 0.9% and 0.8% recorded in June and May 2024, respectively (according to recent and revised data).

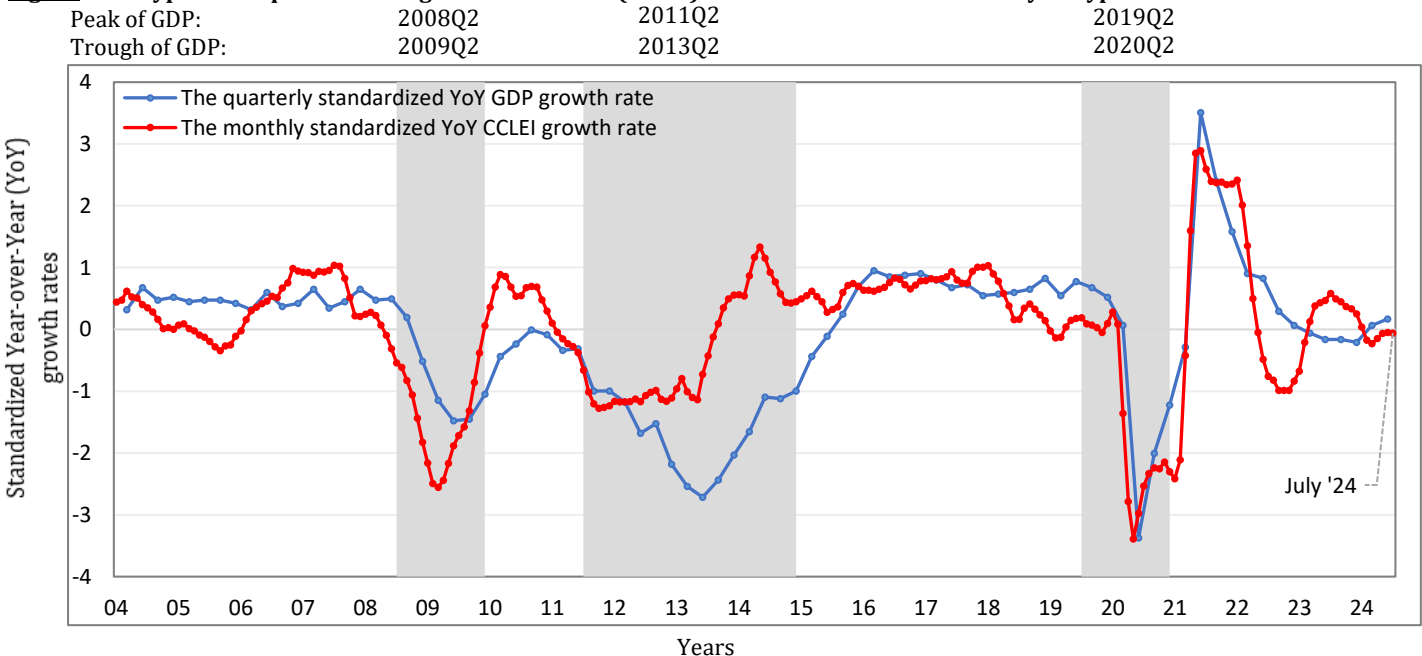
*In July 2024, the year-over-year growth rate of the Cyprus Composite Leading Economic Index (CCLEI) remained positive.* Almost all components of the CCLEI, except the Economic Sentiment Indicator (ESI) in Cyprus, contributed to this positive growth. Specifically, at the domestic level, the year-over-year increases in property sales contracts, temperature-adjusted electricity production volume, tourist arrivals, credit card transactions, and retail sales volume positively influenced the CCLEI in July. At the international level, the improvement in the Confidence Index in the euro area, coupled with the decline in the international Brent Crude oil price in July 2024 compared to July 2023, also positively impacted the CCLEI. However, it should be noted that the small year-over-year decline in the ESI in Cyprus restrained the further increase in the CCLEI in July.

*In conclusion,* the year-over-year growth rate of the CCLEI remained positive in July 2024, driven by the growth of nearly all economic indicators that comprise the CCLEI. 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 July 2024 is estimated based on the data availability of the Brent Crude oil price, the weighted 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.

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