

# The Cyprus Composite Leading Economic Index (CCLEI)

## “The impact of international geopolitical tensions on the CCLEI during the last quarter of 2023”

### 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 number of property sales contracts, the tourist arrivals, the value of credit card transactions, the retail trade sales turnover volume index, and the volume index of electricity production.

The Cyprus Composite Leading Economic Index<sup>1</sup> (CCLEI), constructed by the Economics Research Centre (ERC) of the University of Cyprus, recorded a year-over-year increase of 1.5% in December<sup>2</sup> 2023, following the year-over-year increases of 1.8% and 1.9% recorded in November and October 2023, respectively (based on recent and revised data).

A slowdown is observed in the year-over-year growth rate of Cyprus' CCLEI during the last quarter of 2023. The unfolding military conflicts in Israel since October have exacerbated the already adverse international geopolitical environment, inevitably exerting a negative impact on the CCLEI throughout the last quarter of 2023. In particular, the escalation of geopolitical tensions negatively affects the Economic Sentiment Indicator (ESI) in the euro area, which preserves a negative year-over-year growth rate in December 2023 as well. *In contrast*, the positive year-over-year growth rate of the CCLEI in December can be attributed to both the decline in the international oil price and the growth of various domestic sectors, including real estate, tourism, retail trade, and electricity production.

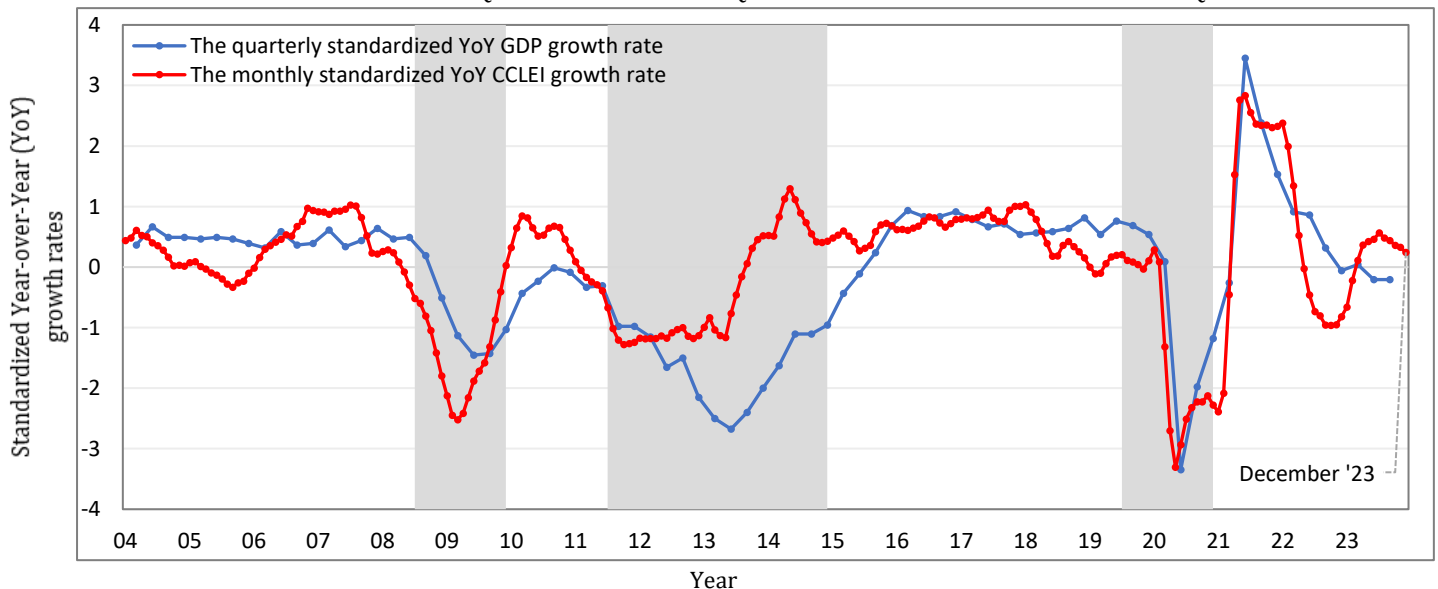
*In summary*, the year-over-year growth rate of the CCLEI remains positive, albeit decelerating throughout the last quarter of 2023. This ongoing slowdown of the CCLEI underlines the challenges posed by a burdened geopolitical and unstable economic environment to the growth prospects of the Cypriot economy. 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 December 2023 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**

Peak of GDP:	2008Q2	2011Q2	2019Q2
Trough of GDP:	2009Q2	2013Q2	2020Q2



**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.