

# The Cyprus Composite Leading Economic Index (CCLEI)

*"Noticeable slowdown in the year-over-year CCLEI growth rate in January 2024"*

### 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 and estimated by the Economics Research Centre (CypERC) of the University of Cyprus, recorded a year-over-year increase of 0.9% in January<sup>2</sup> 2024, following the year-over-year increases of 1.7% and 2.1% in December and November 2023, respectively (based on recent and revised data).

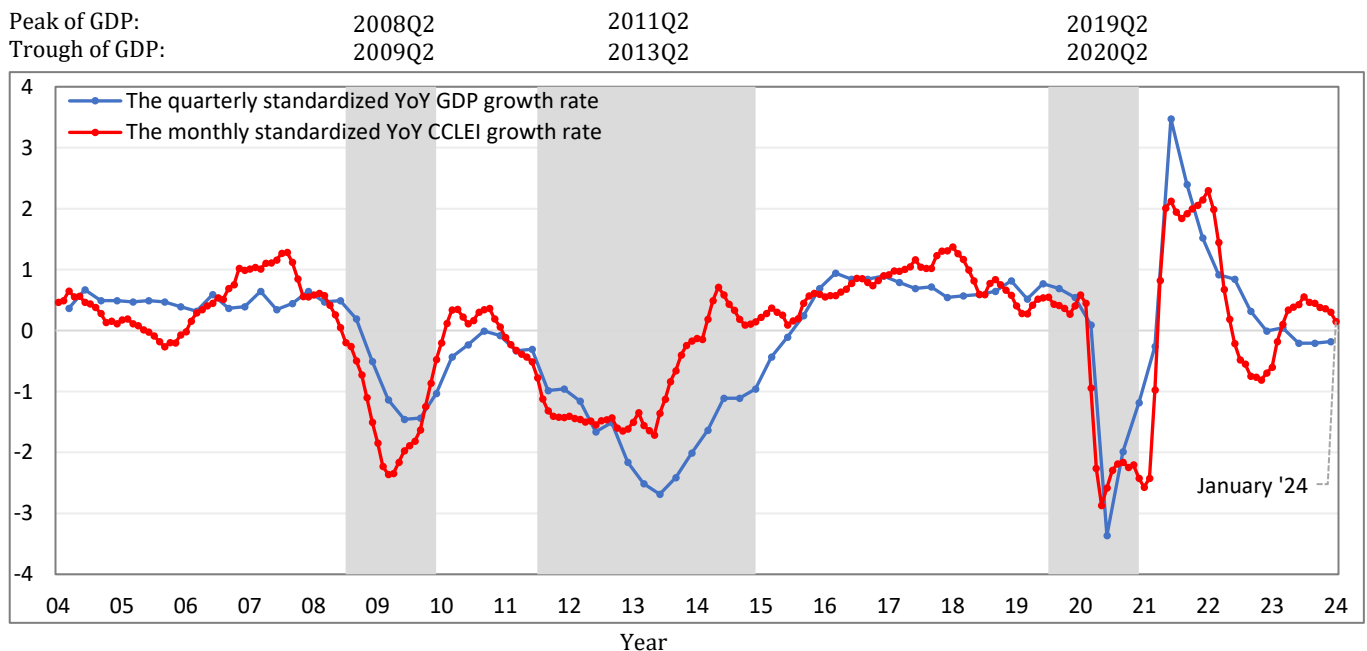
*The slowdown in the year-over-year growth rate of the CCLEI continues in January 2024. International geopolitical tensions – the unfolding military conflicts in the Middle East, the ongoing Russian-Ukrainian war, and the slowdown in economic activity, mainly in the Eurozone, inevitably have a negative impact on the CCLEI in January.* In more detail, the Economic Sentiment Indicator (ESI) in the euro area recorded a negative year-over-year growth rate also in January 2024, while a significant slowdown is observed in the year-over-year growth rate of the ESI in Cyprus as well. In addition, the negative year-over-year growth rate recorded by the total property sales contracts and tourist arrivals contribute to the slowdown in the year-over-year growth rate of the CCLEI in January. *In contrast*, the positive year-over-year growth rate of the CCLEI in January can be attributed to the slight decline in the international Brent Crude oil price and the growth of various domestic sectors, including retail trade and electricity production.

*In conclusion*, the year-over-year growth rate of the CCLEI slowed significantly in January 2024. The notable slowdown in the January CCLEI highlights the growing impact of the international geopolitical and economic environment on 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 January 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.*