

The Cyprus Composite Leading Economic Index (CCLEI)

“The year-over-year growth rate of the CCLEI was stable in June”

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, remained stable in June² 2024, following the year-over-year decreases of 0.1% and 0.4% that recorded in May and April 2024, respectively (according to recent and revised data).

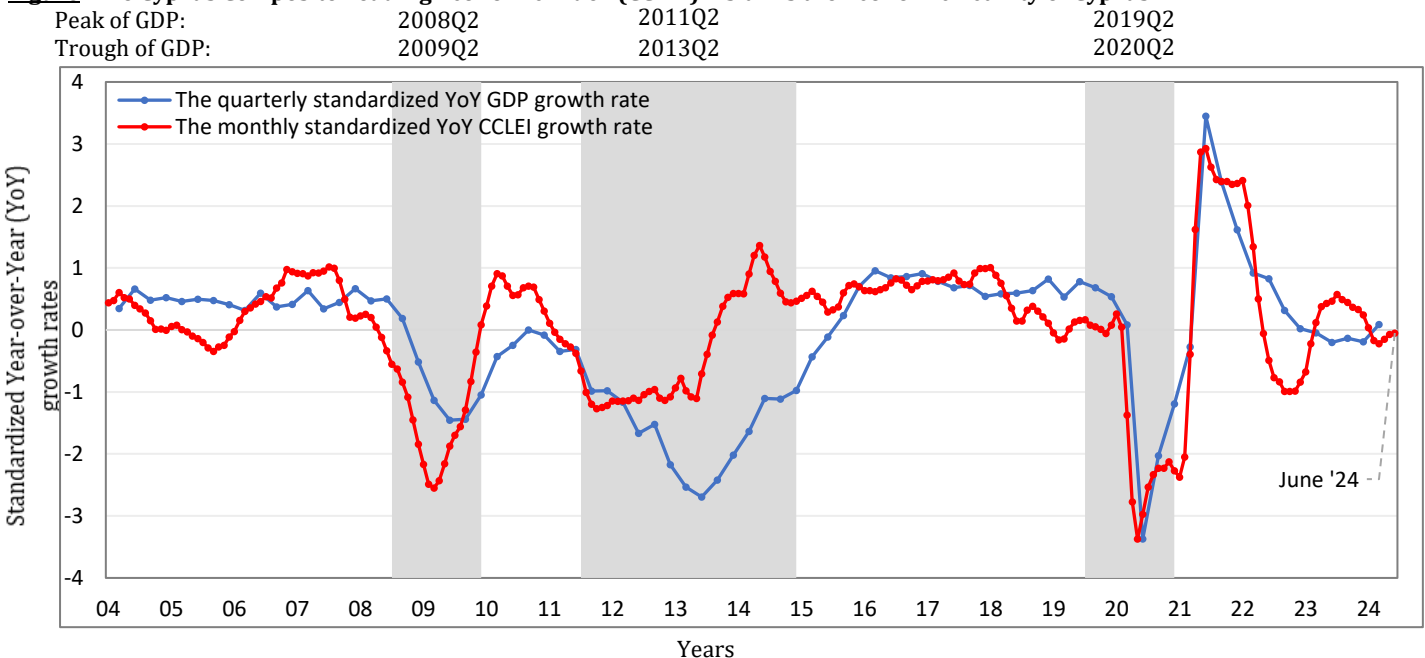
In June 2024, the year-over-year growth rate of the Cyprus Composite Leading Economic Index (CCLEI) remained stable. Half of the variables positively affected the CCLEI during this period, while the rest restrained the further growth of the Index. Specifically, the year-over-year increase in tourist arrivals in Cyprus, credit card transactions, retail sales volume, and the Economic Sentiment Indicator (ESI) in the euro area had a positive impact on the CCLEI. Conversely, the negative year-over-year growth rate of the ESI in Cyprus, coupled with the increase in international Brent Crude oil prices and the decline in the year-over-year growth rate of property sales contracts and temperature-adjusted electricity production volume, had a negative impact on the CCLEI in June.

In conclusion, the year-over-year growth rate of the CCLEI remained stable in June 2024, as a result of the opposite trends followed by the economic indicators composing 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 June 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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