



CENTRAL BANK OF CYPRUS  
EUROSYSTEM

ECONOMIC  
BULLETIN  
DECEMBER 2012

NICOSIA - CYPRUS

Published by the:

**ECONOMIC RESEARCH DEPARTMENT**

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**ISSN (Online) 1986-1087**



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## ABBREVIATIONS

ATHEX:	Athens Stock Exchange
CBC:	Central Bank of Cyprus
CPI:	Consumer Price Index
CSE:	Cyprus Stock Exchange
CTO:	Cyprus Tourism Organisation
Cystat:	Statistical Service of the Republic of Cyprus
EAC:	Electricity Authority of Cyprus
ECB:	European Central Bank
EER:	Effective Exchange Rate
EONIA:	Euro Overnight Index Average
ESI:	Economic Sentiment Indicator
EU:	European Union
EURIBOR:	Euro Interbank Offered Rate
EUROSTAT:	Statistical Office of the European Community
GDP:	Gross Domestic Product

HICP:	Harmonised Index of Consumer Prices
IMF:	International Monetary Fund
IRD:	Inland Revenue Department
LFS:	Labour Force Survey
MFI:	Monetary Financial Institutions
MoU:	Memorandum of Understanding
NACE:	Nomenclature statistique des Activités économiques dans la Communauté Européenne (Statistical classification of economic activities in the European Community)
OIS:	Overnight Index Swaps
REER:	Real Effective Exchange Rate
US:	United States of America
VAT:	Value Added Tax







## Synopsis

### Introduction

The preliminary agreement reached recently with the “Troika” (European Commission, the ECB and the IMF) after intensive negotiations with the Government and the Central Bank of Cyprus (CBC) is the predominant feature of the current economic developments and the prospects in Cyprus. The CBC believes that, in general, the agreement is the best that could be achieved under the circumstances. The strict implementation of this agreement constitutes a strong basis for the gradual reversal of the negative developments that have marked the Cypriot economy over the last few years. The Memorandum of Understanding (MoU) aims at fully restoring the credibility of the financial sector, strengthening financial stability, consolidating public finances and promoting the necessary structural reforms. The successful implementation of the provisions of the MoU will lay the foundations for the recovery of the real economy over the medium term and help for achieve sustainable growth in the longer term.

### International developments

The global economic recovery continues at a slow pace, with economic growth remaining at very low levels, insufficient to alleviate the high rates of unemployment. The fiscal recovery and the fragile financial system have further restricted growth, while the euro area sovereign debt crisis is still at the forefront of current developments.

Inflation in developed economies remains significantly lower compared with the end of 2011, while core inflation has continued its downward trend since the beginning of the year, reflecting weak economic conditions. However, inflation recorded an upward

trend during the months of August and September, largely reflecting increases in international oil prices and, in general, energy prices.

The major central banks, including those of the euro area, the US and Japan, continued to adopt accommodative monetary policies, by maintaining interest rates at historically low levels and injecting liquidity using various non-conventional measures.

In the euro area, peripheral countries exhibited further slowdown in economic activity, while a sharp rise in their respective government bond yields was observed during the summer. New developments, especially the decision to establish a Single Supervisory Mechanism taken by the Heads of State or Governments of the EU in October 2012, will contribute to further European integration, which is expected to partly mitigate the financial and economic problems in Europe. In the meantime, in September 2012 the ECB announced its Outright Monetary Transactions (OMT) programme, which includes the purchase of government bonds of euro area countries in the secondary market under strict conditions. This announcement has been viewed positively by the markets, as reflected by an appreciation of the euro and a reduction in the European government bond yields.

In the US and the UK, economic activity has also been disappointing, despite improvement in certain sectors such as real estate development. Unemployment remains high and consumption weak, while the problem of the so-called “financial cliff” remains at the heart of developments in the US after the presidential elections. In Japan, the economic recession continues with reduced exports, due to economic sluggishness and political tensions between Japan and China.

## Domestic developments

The Cypriot economy recorded marginally positive growth in 2011 with GDP growing by 0,5% compared with 1,3% in 2010. In the first half of 2012, GDP fell by 1,9% and so, technically, the Cypriot economy continues to be in recession. Based on preliminary data for the third quarter of 2012, GDP recorded a further reduction of 2,2%. This negative development is confirmed by all the confidence indicators, i.e. services, industry, retail, consumption and construction, all of which recorded significant reductions both in 2011 as well as in the first ten months of 2012.

As measured by the Harmonised Index of Consumer Prices (HICP), inflation recorded an increase of 3,4% in the first ten months of 2012, the same as in the corresponding period of 2011. During the aforementioned period of 2012, the acceleration of inflation in unprocessed food and services was counteracted by lower inflation in energy, processed food and non-energy industrial goods.

With respect to monetary developments, the annual growth rate of loans to the domestic private sector began from the end of 2011 to show signs of a continuing slowdown, amid the prolonged uncertainty in the domestic and international financial environment, the downturn in economic activity and the high cost of borrowing. Since the beginning of the current year, a significant slowdown has also been observed in the growth rate of deposits of domestic households while the growth rate of deposits of domestic NFCs fell into a negative territory.

During the first nine months of 2012 all categories of lending rates in Cyprus remained, on average, at higher levels compared with the corresponding period of 2011. According to the latest available data, at the end of September 2012 domestic borrowing costs in all loan categories remained at higher levels compared with the corresponding costs in the euro area. Possible

reasons which explain these developments and keep domestic lending rates at high levels are, among others, the economic uncertainty in Cyprus and Greece as well as the increased capital requirements of domestic banks and their limited liquidity.

The current account deficit recorded a marginal deterioration from €786,2 million in the first half of 2011 to €808,8 million in the first half of 2012. In contrast, the balance of goods and services recorded a marked improvement, with the deficit reduced sharply from €689,2 million in the first half of 2011 to €346,0 million in the corresponding period of 2012, while the income account deficit worsened from €17,4 million in the first half of 2011 to €374,2 million in the first half of 2012.

As regards the labour market, and according to the Labour Force Survey (LFS), unemployment continued its upward trend in 2011, with the unemployment rate reaching 7,9% compared with 6,2% in 2010, while in the second quarter of 2012, unemployment reached 11,3%. The latest data relating to the seasonally adjusted registered unemployment, show that the deterioration in the labour market continued until October. In particular, the seasonally adjusted number of registered unemployed in October 2012 amounted to 39.510 people compared with 30.717 in October 2011.

Regarding current fiscal developments and prospects, preliminary data published by Cystat covering the first nine months of 2012 demonstrate a deterioration in public finances despite the adoption of a number of fiscal consolidation measures over the second half of 2011. In particular, the budget deficit reached 3,3% of GDP over the period under consideration compared with a deficit of 3% of GDP over the corresponding period of the previous year. Public revenues exhibited an annual reduction of 1,5% due to the economic downturn, which is mainly reflected in reduced tax revenue. At the same time, public expenditure shows a marginal reduction of 0,5% despite the significant annual increase in

expenditures for interest payments, compensation of employees and subsidies. According to the 2013 Budget, which incorporates measures agreed in principle with the Troika, the budget deficit is projected to reach 5,2% of GDP in 2012. Regarding the general government consolidated gross debt as a percentage of GDP, and according to preliminary data published by Eurostat, this increased further to 84,3% during the second quarter of 2012 from 71,1% at the end of 2011. This development is attributable to the issuance of a government bond for the recapitalisation of a banking institution, as well as an increase in the cost of borrowing and the deterioration in the primary deficit and in macroeconomic conditions.

As regards the macroeconomic projections of the CBC for the domestic economy and on the basis of the central scenario, GDP is projected to fall by 2,4% in 2012 resulting from a deterioration in domestic economic conditions. These projections are substantially revised downwards compared with the corresponding projections of June 2012, reflecting the continuing recession and the impact of the fiscal consolidation measures included in the MoU preliminary agreement.

In 2013 and 2014 growth rates are expected to remain negative. More specifically GDP is projected to record a further reduction of 3,5% and 1,3%, respectively. This reduction is expected to come mainly from a further fall in domestic demand, while on the other hand a positive contribution is expected from an increase in exports and a reduction in imports.

HICP inflation in Cyprus is expected to decelerate to 3,1% in 2012 compared with 3,5% in 2011, mainly due to a base effect in energy inflation and downward price pressures in retail trade, despite the significant upward impact of a methodological change regarding the calculation of HICP weights. Excluding energy, the inflation rate is expected to remain at 1,9%, as in 2011, despite the increase in VAT from 15% to 17% in March 2012.

Inflation is expected to decelerate sharply in 2013 to 1,5% despite the increase in excise duties on tobacco, alcoholic drinks and fuels and the rise in the standard rate of VAT, as provided for in the MoU. The aforementioned deceleration is mainly due to the expected fall in energy prices in line with the updated oil price and euro-dollar exchange rate assumptions and the waning impact of the methodological change in 2012. Excluding energy, inflation is projected to remain at 1,9%.

In 2014 inflation is projected to be somewhat lower, at 1,3%, mainly due to the continuation of weak economic activity and despite the impact of indirect tax increases in the context of the MoU.

## Concluding remarks

The economy of Cyprus is facing extremely difficult challenges. The decisive implementation of the preliminary agreement on a support programme for Cyprus by the European Commission, the ECB and the IMF, which was drawn up after negotiations with the Government and the CBC, is of the utmost importance. This programme aims to achieve consolidation, restructuring and recapitalization of the banking sector, consolidation of public finances and implementation of the structural reforms required according to the agreed timetables. These measures will lay the foundations for the gradual recovery of the economy in the medium term and ensure sustainable growth in the longer term.

The fact is that at critical moments for our country and in the face of difficult decisions that need to be taken, prudence, determination and responsibility are very important. If the necessary consensus and understanding of all stakeholders prevails, then the current challenges can be faced successfully and the economy can regain healthy growth rates.



SECTION A

**Macroeconomic Developments  
and Projections**

## 1. International Environment

### 1.1 External developments

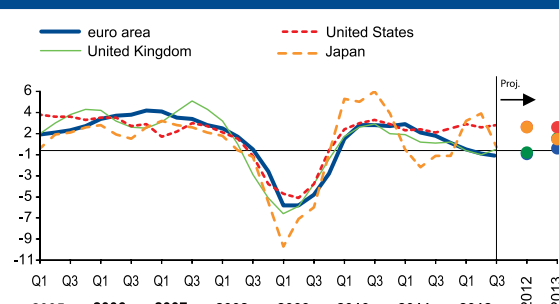
#### GDP growth<sup>1</sup>

The gradual recovery of the global economy, though weak and vulnerable, continued amid loose monetary policies in most developed economies. However, downside risks to growth remain due to the ongoing uncertainty. The global Purchasing Managers Index (PMI) confidence indicator seems to have stabilised at low levels, while the respective services index recorded an improvement. Global inflation remained low but exhibited an upward trend in the third quarter of the year, mainly due to the rise in energy prices.

In the euro area, tensions in the government bonds market remain, with Spain and Italy facing major increases in their respective bond yields and, in general, pressure from the markets. However, given market expectations about possible participation of Spain to the European Stability Mechanism, its yields and new bond issues were positively affected. On the other hand, the uncertainty surrounding the decision of the European leaders regarding additional support of €44 billion to Greece further worsened the financial climate in mid-November. The developments on the periphery of the euro area also had an impact on the countries in central Europe, where a slowdown in GDP growth and strong fluctuations in government bond yields were recorded.

Regarding GDP in the euro area, in the third quarter of 2012 a negative year-on-year growth rate of 0,6% was observed compared with -0,4% in the second quarter and positive growth of 1,3% in third quarter of 2011 (**Chart A.1**). Economic analysts expect the year to close with a reduction in GDP of 0,4% and an increase of 0,1% in 2013, with prospects remaining rather bleak. The consumer and industrial confidence

**CHART A.1 GDP in selected countries**  
(annual change %, seasonally adjusted)



Source: Eurostat.  
Note: The projections are for the year and are calculated as averages of the most recent projections from the European Commission, The Economist poll and the IMF.

1. Inflation projections are estimated as the average of the most recent projections from: The Economist poll (10 November 2012), the IMF (World Economic Outlook, October 2012) and the European Commission (European Economic Forecasts, Autumn 2012).



indicator indices point to a bleak recovery, while the general financial climate in government bond markets further aggravate short-term economic developments. Regarding unemployment in the euro area, this reached 11,6% in September 2012 compared with 10,3% in the corresponding month last year.

In the UK, economic activity remained unchanged with no growth in the third quarter of the current year compared with negative growth of 0,5% in the previous quarter and positive growth of 0,6% in the third quarter of 2011. Services and industrial production showed a slight improvement mainly due to temporary factors such as the Olympic Games, while growth in the construction sector continued to shrink. Analysts estimate that in 2012 the annual GDP growth will record a decrease of 0,3%, while in 2013 a weak recovery is expected. In particular, GDP is projected to increase by 1,0% reflecting mainly the loose monetary policy of the Bank of England, which provides further support to credit expansion. Regarding the labour market, unemployment rose to 7,8% in August 2012 compared with 8,3% in the corresponding month of 2011.

In the US, annual GDP growth rose to 2,3% in the third quarter of this year compared with 2,1% in the second quarter and 1,6% in the third quarter of 2011. The growth emanated mainly from increased consumer and government spending as well as increased private residential investments. The dominating issue in the media before the presidential elections was the problem of the so-called “fiscal cliff”. This refers to the risk of upcoming increases in taxes and spending cuts legislated in the past, leading to an extended recession. The problem seems to remain, with the majority of the public being in favour of retaining some tax cuts, but only for targeted social groups. Analysts’ forecasts for GDP growth fluctuate around 2,1% for both 2012 and 2013. The US rate of unemployment reached 7,8% in September 2012 compared with 9,0% in the corresponding month of 2011.

In Japan, the indicators continued to record a deterioration in the economic climate of the country, both in industrial production and in consumption. Nevertheless, GDP recorded a slight increase of 0,2% in the third quarter of 2012 compared with an increase of 3,4% in the second quarter and a decrease of 0,6% in the third quarter of 2011. In late October, the Bank of Japan announced an increase in its asset purchase programme from ¥80 billion to ¥91 billion, and at the same time the launch of a programme to stimulate bank lending. In the labour market, the unemployment rate stood at 4,2% in September 2012, unchanged from the corresponding month of 2011.

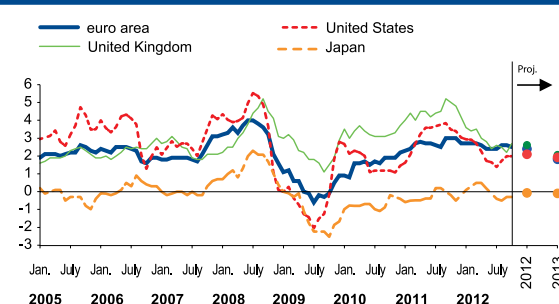
## Inflation<sup>2</sup>

Global inflation is keeping on its downward trend, compared with the end of 2011, despite increases in energy prices until September 2012, owing to slow growth, weak domestic demand and falling commodity prices (**Chart A.2**).

More specifically, euro area HICP inflation decelerated slightly to 2,5% in October 2012, from 2,6% in the previous two months, while in October 2011 it stood at 3,0%. Larger annual percentage increases were recorded in the prices of food and services, while industrial goods and energy registered lower inflation. Excluding energy and food, inflation remained at 1,5% in September 2012. The latest inflation projections by international organisations and private sector analysts for the euro area are 2,4% for 2012 and 1,8% for 2013.

In the UK, the inflation rate declined from 2,5% in August to 2,2% in September 2012, while the rate excluding energy and unprocessed food remained unchanged at 2,2%. The decrease in inflation in September 2012 was entirely due to a base effect in energy prices, while inflation is expected to further slow down owing to the sluggish recovery and the available productive capacity. Analysts anticipate that inflation

**CHART A.2 Inflation in selected countries**  
(annual change, %)



Sources: Eurostat, SDW (ECB).  
Note: The projections are for the year and are calculated as averages of the most recent projections from the European Commission, The Economist poll and the IMF.

2. Inflation projections are estimated as the average of the most recent projections from The Economist poll (10 November 2012), the IMF (World Economic Outlook, October 2012) and the European Commission (European Economic Forecasts, Autumn 2012).

will be around 2,7% in 2012 and 2,1% in 2013.

In the US, inflation increased to 2,0% in September 2012 from 1,7% in August, primarily reflecting higher energy prices. Excluding energy and food, for the first time since April 2012 inflation increased to 2,0% in September 2012 from 1,9% in August. Food inflation continues its downward trend compared with its peak in October 2011. According to the latest forecasts, inflation is expected to be around 2,1% in 2012 and 1,9% in 2013.

In Japan, inflation remained in negative territory, at -0,3% in September from -0,5% in August 2012, while core inflation remained unchanged at -0,6% amid the worsening economic activity in the third quarter of 2012. The analysts' forecasts consensus is that inflation in Japan will be around -0,1% in both 2012 and 2013.

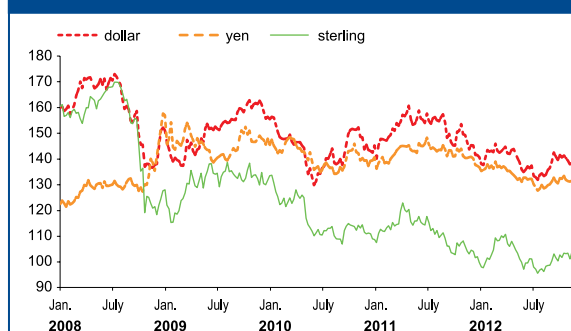
### Exchange rates

The euro has appreciated against the major currencies since August 2012 (**Chart A.3**), with recent trends showing signs of stabilisation mainly due to increased market confidence following the announcement of the OMT programme by the ECB. Since the beginning of the year and until 16 November 2012 (the cut-off date for data in the current Bulletin), the euro fell against the dollar by 1,7%, it declined against sterling by 3,7% and it rose against the yen by 4,0% (Table B.1 of the Annex, p. 66).

### Oil and gold

The price of Brent crude oil recorded a rise of approximately \$20 per barrel in the summer of 2012, while it recorded a slight fall to \$110,7 per barrel on 16 November from a high of \$117,6 per barrel in mid-September (**Chart A.4**). The increase recorded during the summer months was mostly due to the beginning of the European embargo against oil sales from Iran

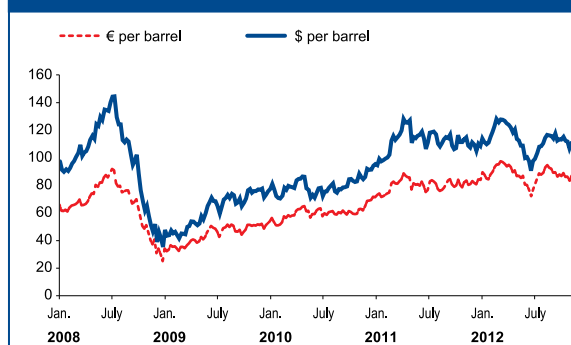
**CHART A.3 Selected exchange rates against the euro**  
(weekly data, 2000=100)



Source: Bloomberg.

Note: A higher (lower) index level represents a nominal appreciation (depreciation) of the euro against the other currencies.

**CHART A.4 Closing prices of oil (Brent)**  
(weekly data)

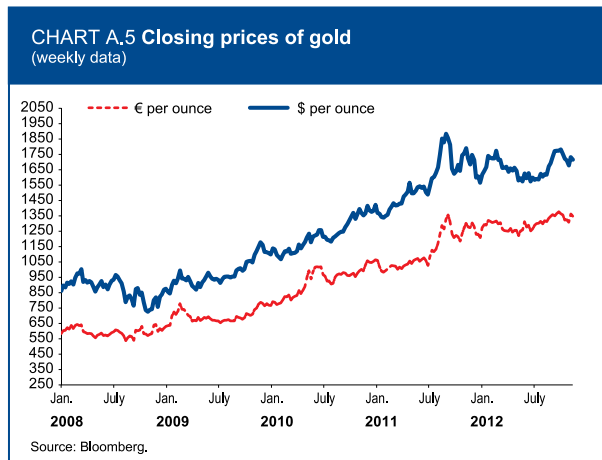


Source: Bloomberg.

and reduced production from Angola, Libya and Iran, despite increased production in Saudi Arabia. The recent decline in the price of crude oil is attributed to the increased production by Saudi Arabia and the drop in demand amid the overall subdued world economic environment.

Analysts expect a decrease in the price of crude oil, with oil price futures for December 2013 trading at \$105,34 per barrel on 16 November 2012.

As regards the price of gold (**Chart A.5**), it recorded strong growth during the period August - September 2012, following the decision of the US Federal Reserve Bank in August to introduce a new round of quantitative easing to inject liquidity without an expiration date. The move was interpreted by markets as a continued expansion of liquidity which may lead to upward price pressures. As a result, gold is considered as a safe investment against possible inflationary pressures.



### **Selected international stock market indices**

The stock market indices in Europe and the US recorded a sharp rise during the summer months of the current year due to the encouraging messages perceived by markets, especially after the announcements of the respective central banks for further non-conventional measures as part of their accommodative monetary policy to support macroeconomic conditions. The reduced risk aversion in equity investments resulted in increased demand and, subsequently, in an increase in their respective values during the period under review. In the autumn, the downgrade of certain regional Spanish bonds as well as of credit institutions in France and Belgium, and disappointing macroeconomic data in the US, affected negatively stock market valuations. In contrast, there were signs of stabilisation in the Nikkei index in Japan. Since the beginning of the year and until 16 November 2012, the DJ Eurostoxx index recorded an

increase of 5,6%, the S&P500 index an increase of 6,4% and the Nikkei index an increase of 7,6% (**Chart A.6**).

### International official interest rates

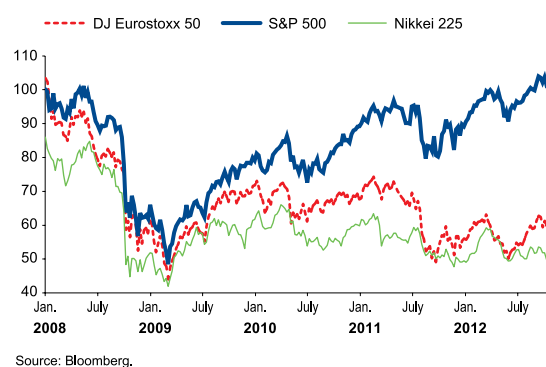
The major central banks continued in most of the second half of the year to adopt an expansionary monetary policy and to implement non-conventional monetary policy measures (**Chart A.7**). In July, the ECB lowered its key interest rate from 1% to 0,75%. At the same time, the Governing Council also decided to reduce the interest rate on the deposit facility to 0% for the first time and the rate on the marginal lending facility to 1,50%. The Bank of England also kept its key interest rate unchanged to 0,5% and announced continuation of its programme of quantitative easing through asset purchases amounting to £375 billion. On the other side of the Atlantic, the Federal Reserve has maintained its key interest rate at 0-0,25% amid new policies to stimulate liquidity.

## 1.2 Monetary developments in the euro area

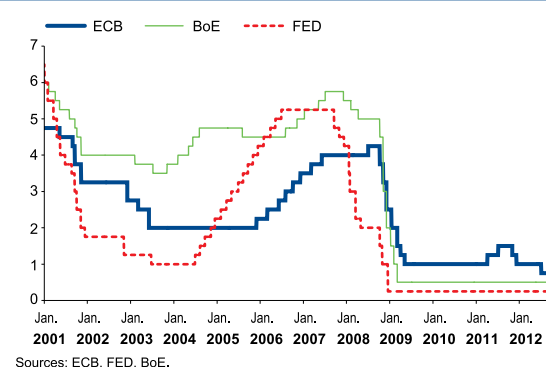
### Inflation

As already mentioned, based on the latest available data, inflation in the euro area stood at 2,5% in October 2012, compared with 2,6% in the previous two months and 3,0% in October 2011. The marginal deceleration of inflation in comparison with September is attributed to the lower annual percentage increases in the prices of energy and industrial goods (**Chart A.8**). In the first ten months of the year, the marginal deceleration of inflation from 2,7% to 2,6% is ascribed to the smaller annual percentage increase in energy prices. Excluding energy and food, euro area inflation in October 2012 remained stable at 1,5% for the third month in a row.

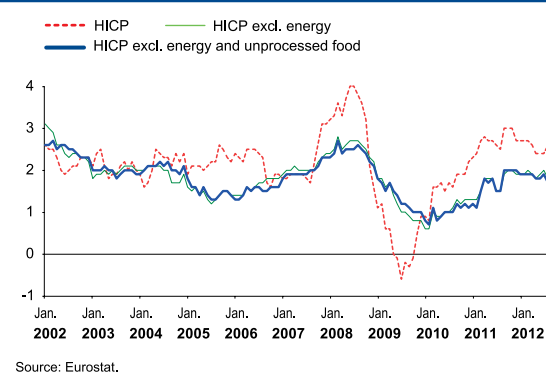
**CHART A.6 Selected international stock market indices**  
(weekly data, 31/01/2007=100)



**CHART A.7 Official interest rates**  
(% per annum)



**CHART A.8 Inflation in the euro area**  
(annual change, %)



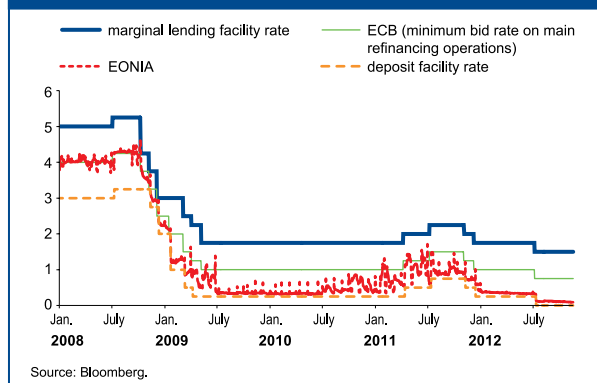
## Reference rates and ECB interventions

As already mentioned, on 5 July 2012 the Governing Council of the ECB decided to reduce its key interest rates by 0,25%. Consequently, from 11 July 2012 the main refinancing operations rate stands at 0,75%. At the same time, the interest rate on the deposit facility was decreased to 0%, while the interest rate on the marginal lending facility was decreased to 1,5% (**Chart A.9**). According to the ECB, the reduction was seen as appropriate following the downside risks to inflationary pressures and the downside risks to euro area growth prospects, which have since materialised.

By July 2012, market tensions brought about by the fiscal problems in Spain and Italy followed by the subsequent downgrading of government bonds by rating agencies as well as the general uncertainty caused by the public debt crisis, had intensified. As a result, the ECB announced that it would undertake a new policy of non-conventional measures to buy euro area government bonds in the secondary market under strict conditions. The OMT programme was officially announced by the President of the ECB, Mario Draghi, on 6 September 2012 and includes the following:

- A necessary condition for admission to the programme is strict and effective conditionality attached to an appropriate support programme, such as the European Financial Stability Facility (EFSF) / European Stability Mechanism (ESM) programme, provided that they include the possibility of EFSF/ ESM primary market purchases. The involvement of the IMF will be sought for the design of the country-specific programme and its subsequent monitoring.
- The Governing Council of the ECB will consider OMTs to the extent that they are warranted from a monetary policy perspective, provided that the programme fulfils all of the above conditions. The Governing Council will have

**CHART A.9 ECB reference rates and EONIA**  
(% per annum, daily data)



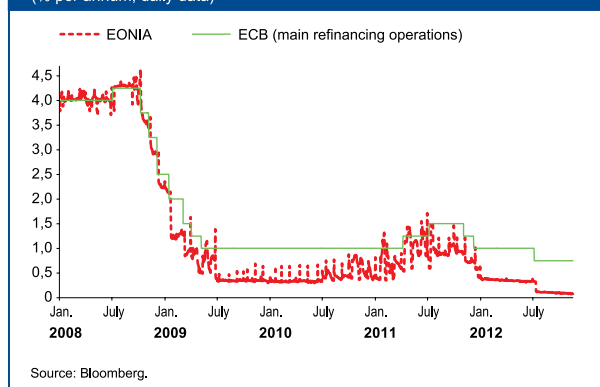
full discretion over the initiation, continuation and suspension of OMTs acting in accordance with its monetary policy mandate.

- OMTs will be focused on the short part of the yield curve, namely for government bonds with maturities of between one to three years.
- No advance quantitative limits will be set for the size of the OMTs.
- The Eurosystem will accept the same treatment as private or other creditor-holders of bonds issued by euro area countries and purchased by the Eurosystem through OMTs.
- The liquidity that will be generated from transactions through OMTs will be fully sterilised through the Eurosystem's tool operations.
- The markets responded positively to the announcement of OMT, and this was reflected in a fall in government bond yields, a rise in equity markets as well as an appreciation of the euro.

### Interbank market and interest rate differentials

Interest rates in the euro area money market decreased between mid-July 2012 and mid-November 2012. This decline reflects the downward revision of expectations for short-term interest rates and the decision of the Governing Council of the ECB on 5 July 2012 to reduce euro area key interest rates by 25 basis points. The volatility in money market interest rates was limited and the EONIA stabilised at low levels during the period under review, around 0,1%, on average, compared with an average of 0,97% in the corresponding period of 2011, approximately 10 basis points higher than the interest rate on the deposit facility (**Chart A.10**). In addition to the above, the reduction recorded also reflects the prevailing excess liquidity in the interbank market, following the usage of non-conventional measures adopted by the ECB in order to increase available liquidity, an ongoing process since the

**CHART A.10 EONIA vs ECB minimum bid rate on main refinancing operations**  
(% per annum, daily data)



beginning of the year. On 16 November, the EONIA was 0,08%, one of the lowest levels in the last five years.

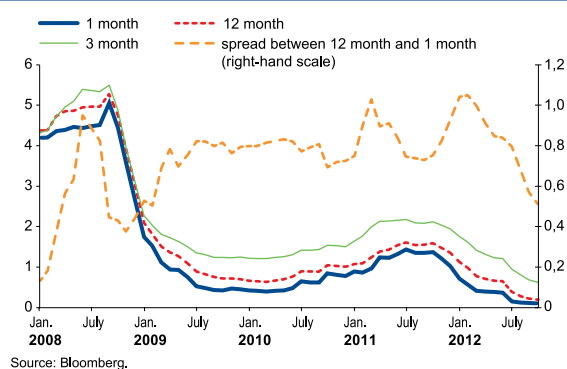
On 31 October 2012, the 1-month, 3-month and 12-month EURIBOR stood at 0,11%, 0,2% and 0,62% respectively – i.e. by 0,91, 1,16 and 1,33 percentage points, respectively, lower than at end-2011. The difference between the 12 and 1-month EURIBOR, which is an indicator of the slope of the money market yield curve, recorded a significant decrease since the end of 2011, standing at 51 basis points on 31 October 2012 compared with 92 basis points on 30 December 2011 (**Chart A.11**).

The difference of the three-month EURIBOR and the OIS<sup>3</sup> products reported in **Chart A.12** decreased significantly during the first 11 months of 2012 compared with the end of 2011, from 0,96% on 30 December 2011 to 0,12% on 6 November 2012. This reduction reflects improving conditions in the euro area money market following the successive operation of VLTROs by the ECB during the current year, with the most recent ones effected in October, and the subsequent creation of adequate liquidity in the monetary and financial institutions (MFIs) in the euro area.

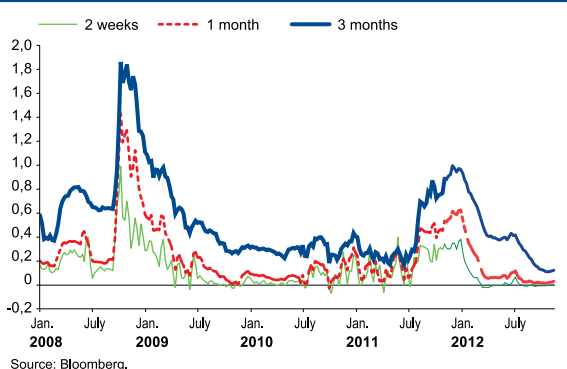
### Euro area yield curve

The yield curve for AAA rated euro area government bonds with a 30-year maturity (spot prices), which is illustrated in **Chart A.13**, reflects market expectations about future developments in short-term and long-term interest rates, while it is also a useful indicator for the future prospects of economic growth. During the course of the current year (the cut-off date for data is 16 November 2012) the curve shifted downwards both with respect to 17 May 2012 (cut-off date in the June 2012 Economic Bulletin) and with respect to the end of 2011. It is also noteworthy that the yields on the short-end of the curve fell into negative territory mainly

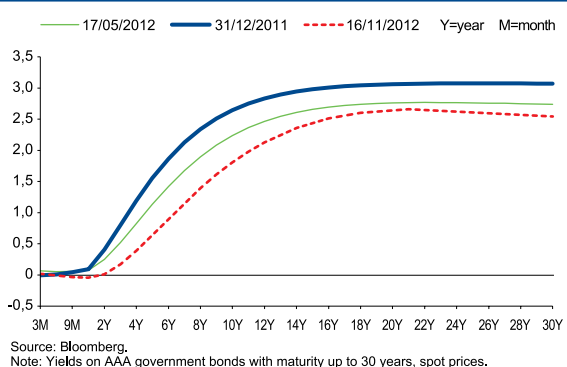
**CHART A.11 EURIBOR (selected durations)**  
(% per annum, monthly data)



**CHART A.12 EURIBOR - OIS spreads**  
(% per annum, weekly data)



**CHART A.13 Euro area spot yield curve**  
(%)



3. OIS (Overnight Index Swaps) are derivative products where EONIA is swapped with a fixed interest rate of selected duration. OIS are used for hedging or speculative moves in the interbank overnight rate or reference rates of central banks.

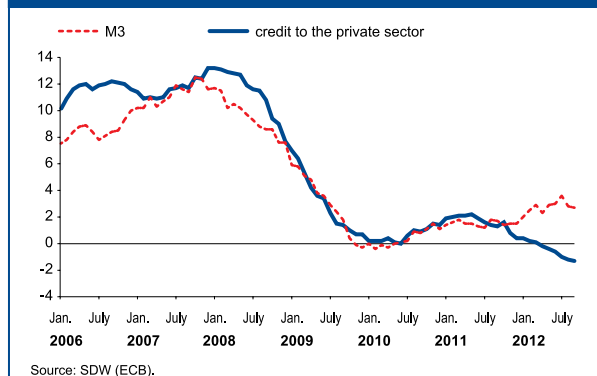


due to increased demand for German government bonds. The change in the slope of the curve reflects, in part, investors' expectations for some unwinding of the economic uncertainty in the euro area, following the recent announcement by the ECB of its OMT programme and its expected impact on government bond yields for euro area countries facing high borrowing costs on primary markets. More specifically, there were significant reductions in the government bond yields of the three euro area member states under financial assistance programmes. In particular, at the end of September and until early November 2012, the yield spread on long-term government bonds between Greece and Germany fell by more than 200 basis points, while the yield spreads between the government bonds of Portugal and Ireland on the one hand and Germany on the other decreased by 50 basis points and 40 basis points, respectively. Additionally, smaller reductions were observed in the government bond yield spreads of Italy and Spain vis-à-vis Germany, namely around 20 basis points

### M3 and credit expansion

The annual growth of M3 continued to record higher levels compared with 2011 and remained, on average, stable since early 2012, even though it marginally declined in the third quarter of 2012 compared with the second quarter. Specifically, it reached 2,7% in September 2012<sup>4</sup>, from 3% at end-June 2012 and 1,7% in the third quarter of 2011 (**Chart A.14**). The market normalisation observed following the ECB's announcement of its OMT programme and legal decisions paving the way for the launch of the European Stability Mechanism, prompted investors to shift towards products other than liquid monetary assets. At the same time, there appears to be a reallocation of investors' appetite towards euro area countries with higher yields on deposits, despite the possibility of

**CHART A.14 M3 and credit to the private sector: euro area**  
(annual change %, seasonally adjusted data)



4. The quarterly data published by the ECB for the euro area refer to quarterly averages.

those countries facing serious financial problems.

Regarding credit to the private sector, the annual growth rate of total MFI credit to euro area residents continues to be significantly subdued, recording negative growth rates since April 2012 (**Chart A.14**). As a result, the annual rate of change of total MFI credit to euro area residents contracted by 1,3% at the end of the third quarter of 2012 compared with a fall of 0,6% at the end of the previous quarter and a rise of 1,3% at the end of the third quarter of 2011. In particular, the annual growth rate of loans to non-financial corporations recorded a decrease of 1,4% in September 2012 compared with a marginal positive growth rate of 0,1% in June 2012 and an increase of 1,7% in December 2011. The above developments mainly reflect redemptions of loans by non-financial corporations as well as redemptions of certain asset-backed securities issued by non-financial corporations held by MFIs as collateral for lending. Loans to households also recorded sluggish growth, with its annual growth rate decelerating to 0,1% at the end of the third quarter of 2012 compared with 0,4% at the end of the second quarter of 2012 and an increase of 2,2% at the end of the fourth quarter of 2011.

According to the results of the October 2012 Bank Lending Survey in the euro area, banks continue to expect further tightening of credit standards for loans to businesses and households for house purchase in the fourth quarter of 2012, at a similar level compared with the third quarter of 2012. In contrast, net tightening of credit standards for loans to households for consumer credit and other lending is expected to decline compared with the third quarter of 2012. In the same period, the decrease in loan demand by households and businesses is expected to be smaller compared with the previous quarter.

## 2. Domestic Prices, Monetary Aggregates and Labour Costs

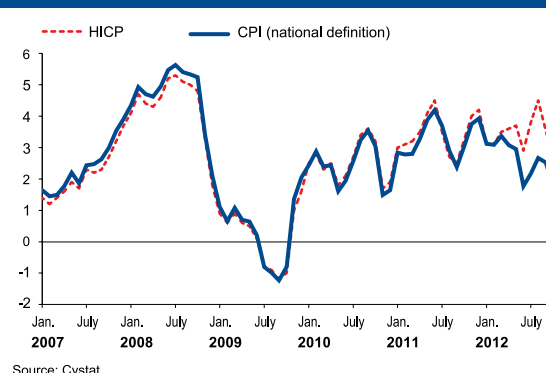
HICP inflation in 2012 is projected to decelerate to 3,1% compared with 3,5% in 2011. The projected smaller annual increase in energy prices, the fading out of the base effect of the increase of the VAT on foodstuff and pharmaceuticals in January 2011, as well as the downward pressure on retail prices are set to contribute to that direction. Inflation excluding energy in 2012 is expected to remain at 1,9%, despite the lower processed food and industrial goods inflation, thus reflecting the projected increase in the prices of unprocessed food and, primarily of services.

### Prices

Inflation based on the Consumer Price Index (CPI) decreased significantly to 1,7% in October 2012, compared with 2,5% in September 2012 and 3% in October 2011. For the period January - October 2012, CPI inflation stood at 2,6% compared with 3,2% in the same period of 2011. Furthermore, HICP inflation also registered a significant decrease to 2,6% in October 2012, compared with 3,6% in September 2012 and 3,2% in October 2011. During the period January-October 2012, the HICP recorded an average increase of 3,4%, the same as in the corresponding period of 2011 (**Chart A.15**). Higher inflation registered in unprocessed food and services was fully offset by lower growth rates in energy, processed food and non-energy industrial goods. For the first ten months of 2012, inflation excluding energy speeded up to 2,2% from 1,7% in the corresponding period of 2011.

More specifically, in the energy sector, upward pressures emanate from the increase in international oil prices and the rise in the standard VAT rate from 15% to 17%. However, the downward base effect caused by the relatively much higher increases in oil prices

**CHART A.15 Consumer price index**  
(annual change, %)



during the first ten months of 2011 dominates: in the first ten months of 2012, energy prices increased by 15,5% compared with 18,3% in the same period of 2011. According to the latest available data, energy prices increased by 12,2% in October 2012, compared with 18,4% in the same month of the previous year (**Chart A.16**).

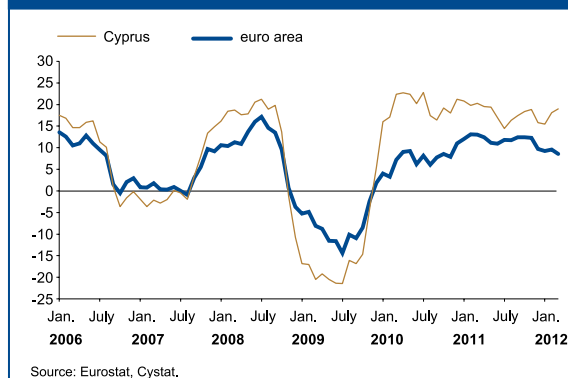
Food prices (**Chart A.17**) in the first ten months of 2012 registered an increase of 3,7% compared with 4% in the corresponding period of 2011. The lower food inflation is due to its processed food component, reflecting the dissipating base effect of the VAT increase from 0% to 5% on foodstuff imposed in January 2011, as well as moderate price increases in key categories of this component. According to the latest available data, processed food inflation was 1,8% in October 2012 as opposed to 6% in October 2011.

As regards unprocessed food, inflation for the first ten months of 2012 was 5,8%, significantly above the 1,7% registered in the same period of 2011. The acceleration of unprocessed food inflation both in October 2012 and for the period January-October 2012 is attributed to the significant increases in the prices of vegetables.

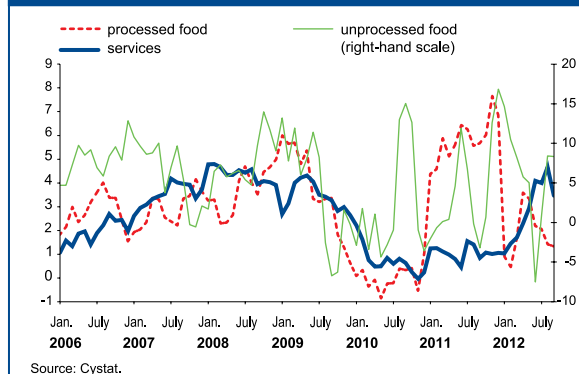
Excluding food and energy, which together represent about 30% of the HICP, inflation accelerated to 1,8% in the first ten months of 2012, compared with 1,2% in the corresponding period of 2011. However, adjusting for the impact of the methodological change, inflation excluding energy and food was broadly the same as in the period January-October 2011.

Non-energy industrial goods inflation (**Chart A.18**) stood at -0,4% in the first ten months of 2012, compared with 1,4% over the corresponding period of 2011. This trend is indicative of downward price pressures in retail trade on account of the contraction in private consumption. In October 2012, industrial goods prices recorded a decrease of 1,4%, as opposed to an increase of 1,2% in the same month of 2011.

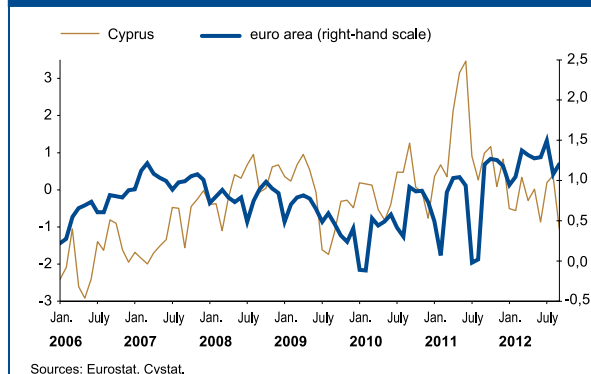
**CHART A.16 Harmonised index of consumer prices: energy**  
(annual change, %)



**CHART A.17 Harmonised index of consumer prices: food and services**  
(annual change, %)



**CHART A.18 Harmonised index of consumer prices: non-energy industrial goods**  
(annual change, %)



**Chart A.17** (p. 26) also illustrates the annual percentage change in the prices of services, which recorded an increase of 2,8% during the first ten months of 2012 compared with 1,1% in the same period of 2011. According to the press release of the Cyprus Statistical Service (Cystat), the component of services is heavily affected by the change in the method of calculation of the HICP weights in the context of the implementation of the Commission Regulation (EU) No 1114/2010 on minimum standards for the quality of HICP weightings. Pursuant to the aforesaid Regulation, the calculation of the HICP weights from 2012 onwards will be based on national accounts data, as opposed to the household budget survey which was the source of the data for the computation of HICP weights until 2011. More specifically, the impact of this methodological change on headline inflation in the first ten months of 2012 was approximately 0,4 percentage points on average, while the impact on services inflation was around 1 percentage point. In October 2012, the percentage increase of services prices reached 2,7% compared with 1,1% in October 2011.

Domestic inflation remains higher than its euro area counterpart, despite the deceleration registered in September and October 2012. More specifically, during the first ten months of 2012, the domestic HICP increased by 3,4% compared with 2,6% in the euro area. The picture is different if we exclude the most volatile components of the HICP, i.e. energy and food and adjust for the impact of the methodological change. In particular, domestic inflation excluding energy and food was about 1,2% during the period January-October 2012, compared with 1,6% in the euro area.

### **Monetary aggregates<sup>5,6</sup>**

During 2011 loans to the domestic private sector showed signs of a significant slowdown, growing at an

5. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the Technical Notes on p. 81.
6. With regard to the classification of loans by economic activity, it is noted that as a result of the change in the Directive on the monthly balance sheets of banks and the replacement of NACE Rev. 1.1 with NACE Rev. 2, there is a structural change in the statistical series and therefore annual growth rates cannot be calculated. Further checks are required in order to reconcile the differences between the two classifications. In view of the above, the sectoral loan analysis is not presented in this *Bulletin*.

## **Box A.1: The HICP at constant tax rates (HICP-CT)**

### **Introduction<sup>1</sup>**

The Statistical Office of the European Union (Eurostat) has, since October 2009, compiled and published a new series of inflation indices, namely HICP at constant taxes (HICP-CT). Eurostat collects the relevant data from the member states of the European Union, which follow a predefined common calculation methodology.

The aim of the HICP-CT is to describe the theoretical impact of changes in indirect taxes which are directly linked to final consumption, such as VAT and excise duties, on headline inflation. The aforementioned inflation index is an important tool both for a more detailed analysis of inflation and for forecasting the impact of future tax changes on inflation. It should be noted that the HICP-CT does not provide an exact measure of the impact of changes in tax rates, rather an indication for the upper limit of the impact. Thus, it calculates the impact of a particular tax change on overall HICP inflation, assuming a full and instantaneous pass-through of this tax policy change on the price paid by the consumer.

### **Description of methodology: differences between the HICP and the HICP-CT growth rates**

As mentioned above, the HICP-CT measures the change in prices at constant tax rates. Prices at constant tax rates for each individual month are calculated using the applicable tax rates of the previous December, instead of the rates applicable in that month. Therefore, in the case of a tax change for a consumer good in a particular period compared with the previous December, the main difference between the HICP and HICP-CT growth rates capture the impact of the aforementioned tax policy change on prices assuming that tax changes are passed instantaneously and fully onto the consumer.

### **Which taxes does the HICP-CT include?**

The taxes considered in the calculation of the HICP-CT are those directly linked to final consumption. These are mainly VAT and excise duties, particularly on alcoholic beverages, tobacco and energy items, e.g. fuel and heating oil, as well as taxes on some specific items such as cars, insurance and entertainment. Not taken into account in the HICP-CT are subsidies and taxes paid at intermediate stages, such as production and transportation. The HICP-CT calculation also ignores administrative fees and taxes on income and wealth. However, due to practical considerations, taxes which

1. Sources:

(i) Central Bank of Cyprus

(ii) Eurostat

(iii) Eurostat's website: [http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hicp\\_constant\\_tax\\_rates](http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hicp_constant_tax_rates) <[http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hicp\\_constant\\_tax\\_rates](http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hicp_constant_tax_rates)> (News Release 146/2009, HICP-CT Manual)

(iv) ECB Monthly Bulletin, March 2012 (Box 6).

generate very small tax revenues may not be taken into account in the computations of the aforementioned index.

### Analysis and comparison of the HICP with the HICP-CT

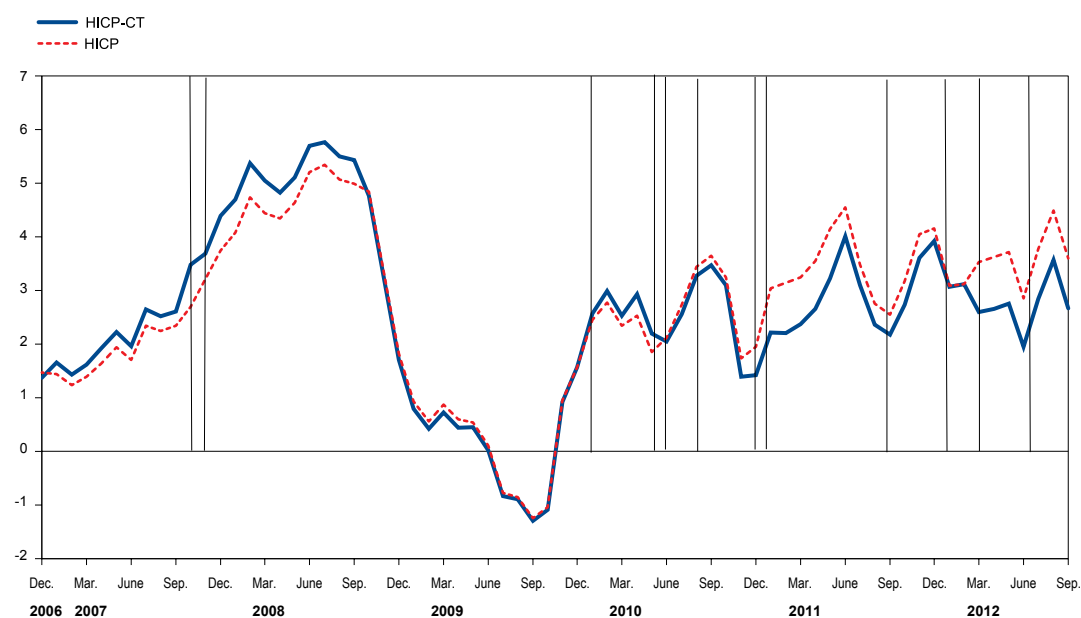
**Chart 1** illustrates the two indices for the case of Cyprus during the period December 2006 - September 2012. Over time, the HICP usually fluctuates above the HICP-CT, with some exceptions. More specifically, from January 2007 until the end of 2008, HICP was below the HICP-CT due to reductions in various indirect taxes. For instance, there had been reductions in excise duties on motor vehicles as well as decreases in the prices of heating oil due to reductions in the applicable tax rate. In the same year, there were reductions in VAT from 15% to 5% on certain services sectors, foodstuff and hygiene

products. As for the period June 2010 - September 2012, the HICP returned to higher levels than the HICP-CT, mainly due to increases in the prices of petroleum products and additional significant charges in the energy sector. Moreover, various tax and other charges were recorded in electricity and fuels from 2011 onwards. Furthermore, increases were registered in the prices of food, pharmaceutical and tobacco products due to the abolition of the zero VAT rate in January 2011 and the imposition of a new single rate of 5%. In addition, in March 2012 there was an increase in the standard VAT rate from 15% to 17%. This change is expected to increase the HICP in 2012 and 2013.

**Table 1** (p. 30) lists the main changes in indirect taxation as well as their estimated impact on inflation each year.

**Chart 2** (p. 31) compares the difference between the HICP and the HICP-CT growth rates,

**CHART 1 Comparison of HICP and HICP-CT for the case of Cyprus**  
(annual change, %)



Sources: Eurostat, CBC.

Note: The vertical lines denote the month of imposing different tax measures as described in Table 1.

for Cyprus and the euro area, respectively. This chart depicts the tax reductions in Cyprus in the period 2007-2008 as well as the tax increases from 2010 onwards. Overall, it seems that differences between the two indices in Cyprus are generally more pronounced compared with those in the euro area.

It should be noted, however, that the HICP-CT in the euro area is calculated as a weighted average of 17 countries with different cross-section, tax and other heterogeneous characteristics. In 2010 and 2011, the impact on

overall inflation of changes in tax rates emanated mostly from the large euro area countries, as well as from some smaller countries which recorded large changes in indirect taxation, such as Greece.

To sum up, it should be emphasised that it is important to monitor the HICP-CT in order to project the impact of indirect taxation on overall inflation. In addition, changes in indirect taxation affect both income and consumer expectations, thereby further impacting on the real economy.

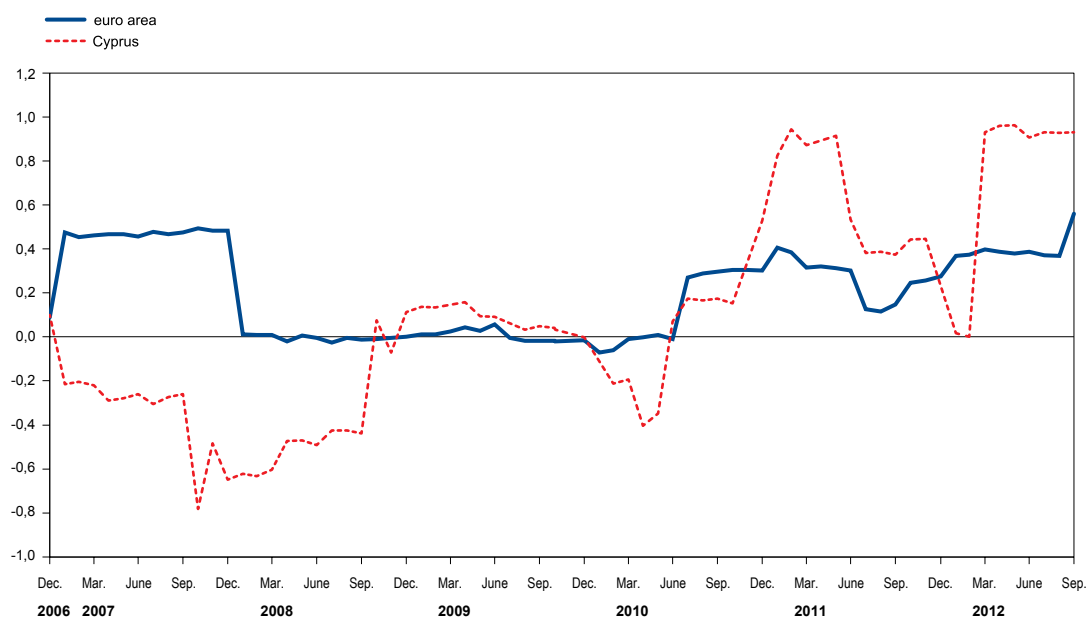
**Table 1: Main indirect taxes and their estimated impact on the HICP<sup>2</sup>**

Date of imposition:	Tax measure:	Estimated impact on the HICP (percentage points)
October and November 2007	Reductions in the price of heating oil due to decreases in its tax rate	2007: - 0,15
October 2007	Reduction of VAT rate from 15% to 5% on various services (hairdressing, cinema)	2007: - 0,24
October 2007	Reduction of VAT rate from 15% to 5% on hygiene products	2007: - 0,08
January 2010	2% increase in the basic price of electricity (for three consecutive years)	2010: +0,06 2011: +0,06 2012: +0,07
May 2010	1,9% additional charge in the price of electricity, stemming from a penalty imposed by the European Union for higher emissions of pollution	2010: +0,04 2011: +0,02
June 2010	Excise tax of 9% on fuels	2010: +0,26 2011: +0,14
August 2010	Additional increase of around 2% in the price of electricity for social utility purposes as well as for the Renewable Sources of Energy Fund	2010: +0,03 2011: +0,03
December 2010	Increase in excise duty on tobacco prices	2010: +0,02 2011: +0,26
January 2011	Increase in VAT rate from 0% to 5% on food and pharmaceutical	2011: +0,9 (συνολική επίδραση)
September 2011	Temporary 8% increase in the price of electricity by the Cyprus Energy Regulatory Authority to recoup the increased production cost incurred by the Electricity Authority of Cyprus after the loss of its biggest power station at Vasiliko for the period September 2011 – June 2012	2011: +0,08 2012H1: +0,13 2012H2: -0,09
March 2012	Increase in the standard VAT rate from 15% to 17%	2012: +0,13
July 2012	Temporary 6,73% increase in the price of electricity by the Cyprus Energy Regulatory Authority to recoup the increased production cost incurred by the Electricity Authority of Cyprus after the loss of its biggest power station at Vasiliko for the period July 2012 – May 2013	2012: +0,11 2012H2: +0,09

2. The estimated effects of tax measures listed in Table 1, are internal calculations of the CBC.



**CHART 2 Difference between HICP and HICP-CT growth rates**  
(percentage points)



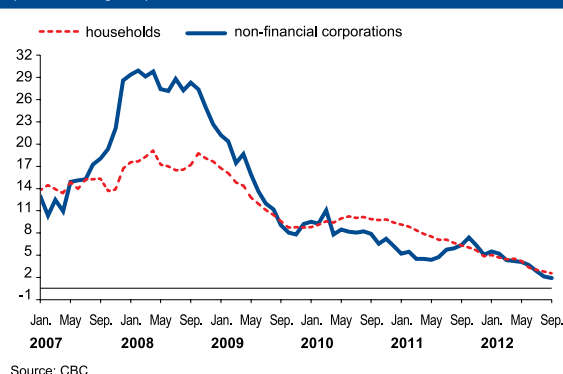
Sources: Eurostat, CBC.

annual rate of 4,9% in December 2011, in line with the adverse domestic and international macroeconomic environment. During the first nine months of 2012, the situation deteriorated further and at the end of September 2012 loans to the domestic private sector increased by 2,2% compared with 6,1% in September 2011. It should be noted that at the end of the third quarter of 2012, the annual growth rate of loans was at its lowest in the last six years, and this is reflected in the historically low rates of growth in the most important categories of loans, that is households and NFCs. At the same time, deposits also continued to record low or negative growth rates in the two aforementioned categories of the private sector.

In line with the above, the Bank Lending Survey (BLS) conducted in October 2012, showed that banks in the third quarter of 2012 tightened their credit standards for all loan categories. The tightening was less than the one registered in the second quarter of 2012 on loans to NFCs and larger than the corresponding tightening in the second quarter of 2012 in the case of loans to households. According to the banks participating in the BLS, during the fourth quarter of 2012 credit standards are expected to be tightened further. Moreover, it is expected that there will be a lower demand for all types of loans to households, while the demand for loans by NFCs is expected to increase in the following quarter. However, similar expectations expressed in the second quarter of 2012 did not materialise.

A further analysis of monetary aggregates shows that the annual growth rate of loans to the private sector recorded a further slowdown to 2,2% at the end of September 2012, compared with 3,5% at the end of December 2011, and was well below the 6,1% growth recorded in the third quarter of 2011. This was primarily due to the continued slowdown registered by NFCs and housing loans, which in September 2012 recorded the lowest growth rate of the last six years for which data is available (**Chart A.19**).

**CHART A.19 Loans to domestic households and non-financial corporations: Cyprus**  
(annual change, %)



Regarding the growth rate of loans to domestic NFCs, it recorded a historically low growth rate of 1,9% in September. In line with the above, and in accordance with the results of the latest BLS, in the third quarter of 2012 businesses reduced their demand for loans due to their lower financing needs for fixed investments and, to a lesser extent, to the reduction towards business' need for financing of mergers, acquisitions and restructuring. Furthermore, at the end of the third quarter of 2012, the stricter loan policy of banks to businesses was also influenced both by the cost associated with the capital position of banks as well as the liquidity position of banks.

In the third quarter of 2012, a significant slowdown in the growth rate of loans to domestic households was recorded, which reached 2,6%. The growth rate of these loans was also the lowest recorded over the previous six years. A similar pattern of significant slowdown is exhibited in all sub-categories of loans to households (**Table A.1**). For instance, in September 2012 housing loans to domestic residents registered a historically low growth rate of 1,9%. According to the results of the BLS, there was reduced demand by households in the third quarter of 2012 for this type of loan, due to households' expectations of a further deterioration in the housing market, the overall decline in consumer confidence and a reduction in consumer spending not related to the housing market.

The annual growth rate of deposits by domestic households (**Chart A.20** and **Table A.2**) remained at the lowest levels recorded over the last years and more specifically at 1,9% in September 2012. It should be noted that the continued slowdown in deposits as from the second half of 2011 is consistent with the general uncertainty prevailing in the domestic and international macroeconomic environment, both domestically and abroad. Moreover, the turmoil in the domestic banking system, the slowdown in domestic credit growth, the high unemployment and the fact that many households

TABLE A.1 Loans to domestic households <sup>(1), (2)</sup>

	Outstanding balance as % of total <sup>(3)</sup>	Annual percentage change					
		2011 June	2011 Sep.	2011 Dec.	2012 Mar.	2012 June	2012 Sep.
Domestic households	100,0	7,1	6,3	4,9	4,5	3,3	2,6
1. Consumer credit	14,2	-0,4	0,1	-0,6	0,9	0,5	-0,5
2. Lending for house purchase	53,4	8,8	7,5	5,0	4,5	2,7	1,9
3. Other lending	32,3	7,9	7,3	7,2	6,1	5,7	5,2

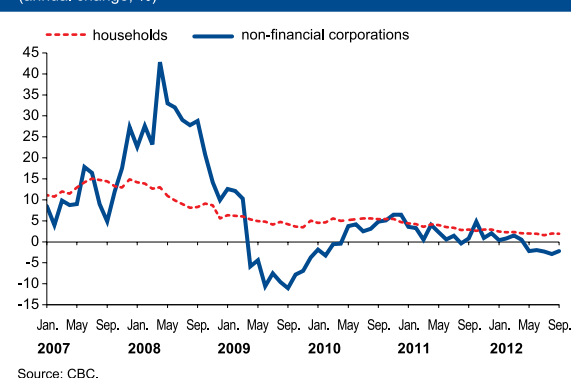
Source: CBC.

(1) Sectoral classification is based on ESA 95.

(2) Including non-profit institutions serving households.

(3) As at the end of the last month available. Figures may not add up due to rounding.

CHART A.20 Deposits of domestic households and non-financial corporations: Cyprus (annual change, %)



Source: CBC.

TABLE A.2 Deposits of domestic households <sup>(1), (2)</sup>

	Outstanding balance as % of total <sup>(3)</sup>	Annual percentage change					
		2011 June	2011 Sep.	2011 Dec.	2012 Mar.	2012 June	2012 Sep.
Domestic households	100,0	3,5	2,9	2,9	2,3	1,9	1,9
Overnight	13,8	-0,2	-0,8	2,0	-1,2	1,0	-0,6
With agreed maturity	78,2	5,6	4,9	4,2	4,4	3,6	4,0
up to 2 years	74,1	5,2	4,2	3,4	3,7	3,4	3,8
over 2 years	4,1	15,1	18,6	20,3	18,1	9,2	7,7
Redeemable at notice	8,0	-6,5	-5,7	-5,1	-8,4	-10,4	-11,4
up to 3 months	5,7	-8,8	-8,2	-6,9	-12,0	-13,5	-15,0
over 3 months	2,4	0,7	1,9	0,5	2,4	-1,5	-1,6

Source: CBC.

(1) Sectoral classification is based on ESA 95.

(2) Including non-profit institutions serving households.

(3) As at the end of the last month available. Figures may not add up due to rounding.

use their deposits to cover current debt obligations, are additional factors for the reduced growth in deposits.

MFIs continue to offer higher interest rates at a time of strenuous efforts to increase liquidity and capital adequacy, since deposits remain their main source of funding. Domestic households continue to prefer interest bearing deposits with longer-term maturity, which offer a higher return. In particular, there is an increase in the growth rates of deposits with agreed maturity up to or over two years. However, the growth rates recorded were lower than the previous year. More specifically, in the third quarter of 2012 a slowdown was recorded in deposits with agreed maturity, which increased by 4%. With regard to deposits redeemable at notice, these continued to decrease throughout 2011 as well as this year, recording at the end of the third quarter of 2012 one of the highest negative rates of change in the last two and a half years, reaching -11,4%.

During the last five months, deposits of domestic NFCs experienced negative growth rates. (Chart A.20). For instance, these deposits decreased by 2,2% at the end of September 2012. It should be noted that the subdued growth of these deposits recorded in recent months is consistent with the prolonged downturn in economic activity, which has resulted in reduced corporate earnings as well as a cut-down in their expenses. As a result, many companies have been forced, in part, to use their savings to cover their operational costs both for capital and operating expenditures, such as rent and taxes.

With regard to the deposits of non-resident NFCs, including deposits by companies without a physical presence in Cyprus (brass plates), these began to record consecutive negative growth rates as from August 2011. More specifically, in the third quarter of 2012, the growth rate of these deposits recorded an annual decrease of 6%. These developments were partly due to the sluggish economic environment which has led to the slowdown in entrepreneurial activity and the general

uncertainty that prevailed particularly in the second half of the year. In contrast, the corresponding deposits of non-resident households increased by 9,1% at the end of September 2012, recording a comparatively lower growth rate than in September 2011. Therefore, total non-resident deposits, which include brass plate companies, recorded an annual decrease of 1,3% at the end of the third quarter of 2012.

### **Interest rates**

During the first nine months of 2012, all lending rates in Cyprus remained at higher levels compared with the corresponding period of 2011, although at the end of the third quarter of 2012 some categories, recorded a slight decrease. This was due to significant developments influencing economic activity both at the international and domestic level. With respect to the international environment, the prevailing development was the ongoing financial uncertainty in Greece and the exposure of domestic financial institutions to Greek bonds and loans in Greece. In the domestic environment, the successive downgrades of Cyprus government bonds by the main credit ratings agencies, the resulting downgrades of domestic banks by the aforementioned agencies and the negative outlook for the economy all led to an increase in the government's cost of borrowing from the international markets. As a result, and after its exclusion from international markets in May 2011, the government continued to turn to domestic credit institutions for borrowing, thus limiting the available liquidity. In addition, the competition between domestic monetary and financial institutions to attract deposits by offering new higher interest-bearing deposit products in an attempt to meet capital challenges and increase their liquidity, inhibits possible reduction in lending rates in the near future.

More analytically, at the domestic level, the average interest rate on new euro denominated

## **Box A.2: Household Finance and Consumption Survey - HFCS**

The CBC, in collaboration with the University of Cyprus, used to carry out the Cyprus Survey of Consumer Finances. That survey was carried out in 3 waves, in 1999, 2002 and 2005 but was discontinued, replaced by the first wave of the harmonised survey (Household Finance and Consumption Survey - HFCS) under the auspices of the ECB. As a result, since 2007 the CBC has participated in the Household Finance and Consumption Network (HFCN) of the European System of Central Banks (ESCB). The aim of this network is to run a survey in order to collect information on the assets, liabilities, income, pensions and consumption of households in the euro area (Household Finance and Consumption Survey - HFCS), based on relevant surveys conducted separately in each member country.

The HFCS is based on a common methodology, sampling design and questionnaire, although each country has the option to include additional questions beyond the common (core) list. This ensures the comparability of the data and enables the compilation of economic indicators and statistics for all countries in the euro area.

After many months of preparation, in 2010 the CBC conducted its first fieldwork with 2009<sup>1</sup> as the reference year for income and 2010 for household wealth. After the data collection, the CBC proceeded with the final data editing, data cleaning and data analysis according to

the guidelines and recommendations of the Eurosystem. The protection of personal and confidential data is emphasised throughout the whole survey, due to the highly sensitive nature of household micro-level data. The anonymity of participants is strictly maintained at all stages of the analysis and the confidentiality of the data is ensured.

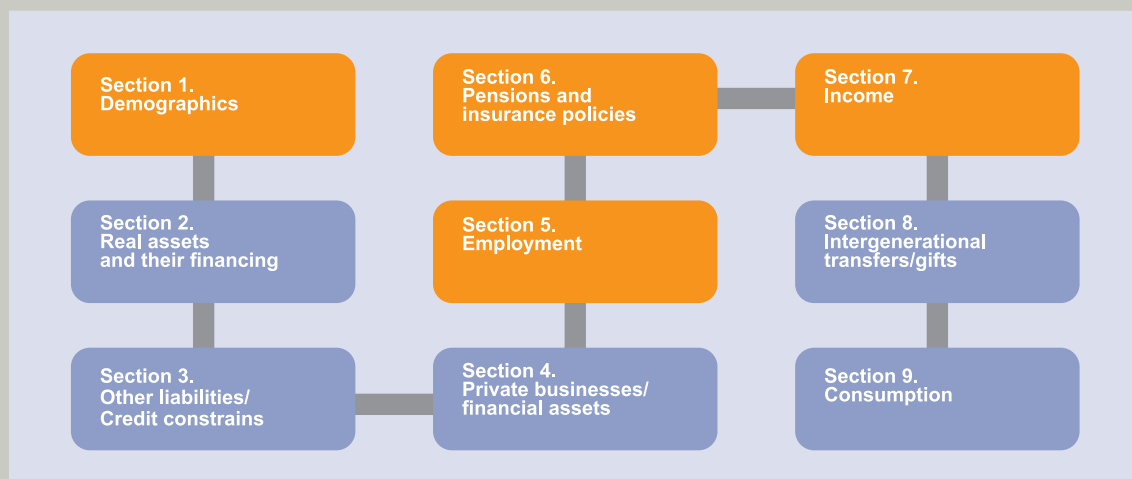
Weighting of the sample to population was also applied, taking into account the over-representation of wealthy households and adjusting for non-response. Imputation was applied to fill in the missing answers not collected during the interview either due to the non-response of the participant or an interviewer error.

### **The structure of the questionnaire**

The main objective of the survey is to collect household level information on assets and liabilities of households in the euro area. In addition to demographic and social characteristics, data on household consumption, savings and general balance sheets were collected. As shown in the diagram below, the structure of the questionnaire is divided into two parts. One part aims to collect household data as a whole (blue colour) and the other is addressed to individual members of the household (orange color).

1. The fieldwork (data collection - personal interviews) was conducted by CBC officers, interviewers from the European University of Cyprus and other researchers, with the overall coordination of the Economic Research Department of the CBC, which represents the CBC in the HFCN of the ESCB.

## Structure of the questionnaire



## Sampling design

The methodology used is stratified sampling in the first phase and systematic (within strata) in the second phase. Households are selected on a pancyprrian basis by applying a process which allows over-representation of wealthy households (oversampling of the wealthy) according to the recommendations of the HFCN. The final achieved sample consists of 1237 households. The size of this sample ensures representation both at the country level and at the euro area level. The sampling framework used is the client list of the Electricity Authority of Cyprus (EAC), in which all premises in the part of the island controlled by the government are recorded. It has to be emphasized that the principle of confidentiality of all personal data of the survey participants is ensured at all stages of data processing.

## Selective survey results

The survey covers many variables which are useful for the analysis of the financial conditions and the consumption habits of households. The purpose of this Box is not to present the whole spectrum of potential useful statistics or analysis of the interaction of the variables that can be produced, but to give a few indicative results in relation to assets and loans of households in Cyprus.

For example, from the final data it appears that 66,8% of Cypriot households have some form of loan, with 46% of the households having a mortgage loan and 49,5% having a non-collateralised loan (**Table 1**, p. 39). The data confirm that Cyprus is a country with a high home ownership rate (76,5%) (**Table 2**, p. 39). Also, 36,5% of households have a mortgage loan with a mortgage on the main residence, while 15,5% have as a mortgage property other than the main residence. It is also noted that Cypriot households finance other expenditure needs, such as the studies of their children, emergency medical expenses, etc, by obtaining a

mortgage loan on their property.

As mentioned above, 76,5% of households in Cyprus own their household main residence (HMR), a figure which appears to be one of the highest in the euro area. 9,1% of households pay rent for their main residence, while 14,4% reside in the dwelling which is offered to them free of charge by relatives or friends, as a charity or a government concession. Additionally, 50,1% of the households own other property in addition to their main residence, 88,8% own vehicles and / or other means of transportation while 20,7% have a business (self-employment business). The majority of households, 88,1%, hold various financial products such as deposit accounts (81,2%), voluntary pension insurance plans (46,5%), equities (33,6%), bonds (3,2%) and mutual funds (1,3%).

#### **Further development of the survey**

The absence up to today of comparable information and data at the household level (microdata) for euro area countries highlights the importance and usefulness of this survey. The microdata will be published simultaneously in February 2013 for all member countries of the euro area (with the exception of Ireland and Estonia). It is expected to attract great interest and become a source for high-quality research not only in Cyprus but also in other euro area countries. The microdata collected from households through personal interviews about their portfolios have been used successfully in many academic studies. Results from the analysis of such data have helped economists, researchers and policymakers to have a better understanding of the behavior of households and to have more detailed analysis of the course and interrelatedness of various aggregates, such as interest rates, inflation and unemployment.

Moreover, data at the household level contribute in a better understanding of the impact of different shocks to the economy, such as the recent financial crisis and structural changes in the households.

The examples below present some topics where economic survey data for households from similar surveys have been utilized:

- Effect on consumption from the change in the level of household wealth.
- The relationship between the price of real estate and the overall level of household debt and indebtedness, the relationship between debt and debt service with the income and wealth of households.
- Access to and restrictions on credit, and the effect on household consumption of any changes in income or interest rates.
- Innovation in financial products, consumption smoothing and portfolio selection.
- Inequality in wealth especially in financial assets.

The CBC will continue the research work using the results of the HFCS. With the publication of the data (along with other member countries of the euro area) in February 2013, it is expected that many researchers will show a keen interest in the data and further statistical and econometric analysis will be carried out in order to better understand the economy of Cyprus. The CBC will contribute to this work either through helping the researchers using the data for research purposes or through the publication of working papers.



**TABLE 1 Household participation in various debts**

	Percentage (%)
Households with debt	66,8
Households with mortgage debt	46,0
Households which have the HMR mortgaged	36,5
Households which have other property apart from HMR mortgaged	15,5
Households with non-mortgaged debt	49,5

Source: 2010 Household Survey of Consumer Finances (HFCS) year of reference: 2009.

**TABLE 2 Percentage of households with assets**

	Percentage (%)
Financial Assets	88,1
Deposits	81,2
Bonds	3,2
Shares	33,6
Mutual Funds	1,3
Voluntary pension schemes / Whole life Insurance	46,5
Real Assets	97,5
Household Main Residence	76,5
Other Real Estate	50,1
Vehicles	88,8
Self-employment businesses	20,7

Source: 2010 Household Survey of Consumer Finances (HFCS) reference year: 2009.

loans to euro area households by Cypriot MFIs with an initial rate fixation of up to one year as well as the cost of borrowing on new euro denominated loans by MFIs in Cyprus to NFCs showed small fluctuations and stabilization trends during the first nine months of 2012, remaining at high levels compared to other countries in the euro area. For instance, in September 2012 the average interest rate for housing loans and other lending to households reached 5,34% and 6,58%, respectively (**Table A.3**), while for the same period the average rate on new loans to NFCs of up to €1 million reached 7,2% (**Table A.4**).

Most interest rates on the respective loans from MFIs in the euro area (**Chart A.21**, p. 41) started from the end of the third quarter of 2011 to record, on average, a slightly downward trend, which continued in the first nine months of 2012. The reductions in the key ECB interest rate, which in July 2012 reached a historical low of 0,75%, also contributed to the above development. For example, at the end of the third quarter of 2012 the average rate on new loans to households for house purchase and other lending reached 2,92% and 2,96%, respectively. An easing of borrowing costs was also recorded on loans to NFCs of up to €1 million in the euro area, which stood at 3,87% in September 2012.

With respect to the deposit rates offered by Cyprus MFIs to households and NFCs (**Table A.5**, p. 41, in general an upward trend was recorded. This has continued from July 2011 and is most evident for deposit rates to households. In contrast, at the end of the third quarter of 2012, deposit rates for NFCs recorded a decrease. Indicatively, in September 2012 the average rate on new deposits for households with an agreed maturity of up to one year increased to its highest level in three years, reaching 4,43%, while the corresponding rate for NFCs in September 2012 stood at 3,52%. Domestic credit institutions have increased their deposit rates in an effort to recapitalise and enhance their available liquidity through deposits. It should be

**TABLE A.3 Cyprus MFI interest rates on euro-denominated loans (new business) to euro area households <sup>(1)</sup>**  
(% per annum, period average)

		Floating rate and up to 1 year initial rate fixation			
		Bank overdrafts <sup>(2)</sup>	Consumer Credit	Lending for house purchase	Other lending
2011	June	7,42	6,74	5,38	6,88
	July	7,44	6,84	5,47	6,63
	Aug.	7,43	6,99	5,50	6,54
	Sep.	7,45	6,98	5,61	6,48
	Oct.	7,45	7,00	5,54	6,60
	Nov.	7,42	6,97	5,43	6,51
	Dec.	7,48	6,93	5,73	6,80
2012	Jan.	7,46	6,93	5,48	6,22
	Feb.	7,47	6,98	5,23	6,62
	Mar.	7,35	7,00	5,37	6,39
	Apr.	7,34	6,87	5,37	6,52
	May	7,21	6,99	5,40	6,46
	June	7,34	7,14	5,47	6,88
	July	7,31	7,18	5,36	6,95
	Aug.	7,33	7,30	5,05	6,53
	Sep.	7,34	6,92	5,34	6,58

Source: CBC.

(1) Including non-profit institutions serving households.

(2) For this instrument category, new business refers to end-of-period.

**TABLE A.4 Cyprus MFI interest rates on euro-denominated loans (new business) to euro area non-financial corporations <sup>(1)</sup>**  
(% per annum, period average)

			Floating rate and up to 1 year initial rate fixation	
			Other loans up to € 1 million	Other loans over € 1 million
		Bank overdrafts <sup>(2)</sup>		
2011	June	7,08	7,10	6,97
	July	7,14	7,00	6,00
	Aug.	7,12	7,00	6,83
	Sep.	7,20	7,04	5,54
	Oct.	7,24	7,13	5,99
	Nov.	7,23	7,52	6,08
	Dec.	7,21	7,39	6,53
2012	Jan.	7,18	7,18	7,28
	Feb.	7,10	7,12	6,47
	Mar.	7,12	7,62	6,46
	Apr.	7,04	7,14	6,53
	May	7,03	7,26	6,73
	June	7,10	7,44	6,87
	July	6,96	7,37	6,31
	Aug.	6,94	7,44	6,79
	Sep.	6,90	7,20	6,63

Source: CBC.

(1) For this instrument category, new business refers to end-of-period.

noted that foreign banks based in Cyprus also compete for deposits by offering higher interest rates.

Although deposit rates in the euro area fluctuated at lower levels than in Cyprus, they recorded an increase in September 2012 (**Chart A.22**, p. 42). More specifically, the average interest rate on euro denominated deposits by households with an agreed maturity of up to one year reached 2,8% at the end of the third quarter of 2012. The corresponding rate on NFC deposits reached 1,13% in September 2012.

Banks in Cyprus have maintained their margin between lending and deposit rates for NFCs. The respective margins for households are at lower levels, mainly due to the higher deposit rates offered to them. According to the latest ECB data for September 2012, Cyprus had the highest lending rate with an initial rate fixation of up to one year and up to €1 million on both corporate and housing loans in the euro area. Regarding euro denominated deposit rates with an initial rate fixation of up to one year, Cyprus's rates are ranked the second highest, after Greece.

## Labour costs

Despite the subdued economic climate in 2011, labour costs increased. Specifically, the annual rate of growth of nominal compensation per employee rose by 3,3% in 2011 compared with 2,7% in 2010 (**Chart A.23**, p. 42). This increase was primarily due to the significant growth that was recorded in expenditure per public sector employee, a result of increased costs for gratuities because of early retirements, the number of which increased significantly during 2011. In contrast, the expenditure per private sector employee recorded a slowdown.

The rate of growth of nominal compensation per employee for the first quarter of 2012 recorded a slowdown reaching 1,7% compared with 1,9% in the corresponding quarter of 2011.

As regards the sectoral breakdown, the rate of

**TABLE A.5 Cyprus MFI interest rates on euro-denominated deposits (new business) by euro area residents**  
(% per annum, period average)

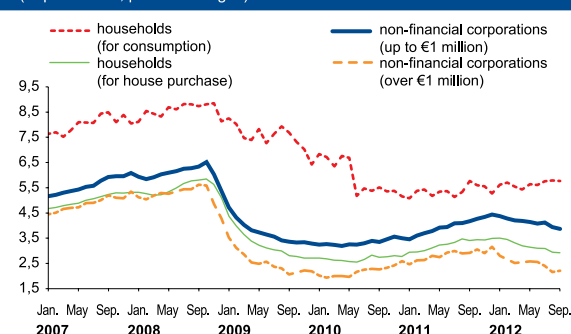
		Households <sup>(1)</sup>			Non-financial corporations	
		With agreed maturity				
		Overnight <sup>(2)</sup>	Up to 1 year	Over 1 and up to 2 years	Overnight <sup>(2)</sup>	With agreed maturity up to 1 year
2011	June	1,11	4,02	4,14	0,47	3,41
	July	1,12	4,11	4,32	0,48	3,12
	Aug.	1,13	4,13	4,18	0,49	3,66
	Sep.	1,11	4,14	4,31	0,50	3,68
	Oct.	1,10	4,15	4,59	0,48	3,69
	Nov.	1,14	4,17	4,65	0,49	3,61
	Dec.	1,10	4,25	4,54	0,54	3,71
2012	Jan.	1,11	4,28	4,58	0,49	3,87
	Feb.	1,12	4,29	4,71	0,49	3,94
	Mar.	1,12	4,34	4,79	0,52	3,62
	Apr.	1,12	4,35	4,77	0,47	4,10
	May	1,09	4,35	4,81	0,49	3,97
	June	1,07	4,33	4,71	0,49	3,54
	July	1,09	4,41	4,72	0,54	4,16
	Aug.	1,09	4,43	4,71	0,56	4,14
	Sep.	1,10	4,43	4,67	0,54	3,52

Source: CBC.

(1) Including non-profit institutions serving households.

(2) For this instrument category, new business refers to end-of-period.

**CHART A.21 Euro area MFI interest rates on euro-denominated loans (new business) to euro area residents <sup>(1)</sup>**  
(% per annum, period averages)



Source: SDW (ECB).

(1) At floating rate and up to 1 year initial rate fixation.

nominal growth of compensation per employee in the secondary sector recorded a slowdown and rose by 1% in the first quarter of 2012 compared with 1,6% in the corresponding quarter of 2011. A slowdown was also recorded in the tertiary sector with an increase of 1,5% in first quarter of 2012.

The real compensation per employee in 2011 recorded zero growth, compared with a marginal increase of 0,5% in 2010 mainly due to the increase in the price level during 2011. With regard to the first quarter of 2012, a further annual decrease of 1,3% was recorded compared with a 0,5% reduction in the corresponding quarter of 2011. Productivity recorded no change in 2011 compared with an increase of 1,2% in 2010 (**Chart A.24**). The stagnation in productivity is mainly due to the negative developments in economic activity. During the first half of 2012, productivity rose marginally by 0,8%, compared with 0,5% in the corresponding period of 2011.

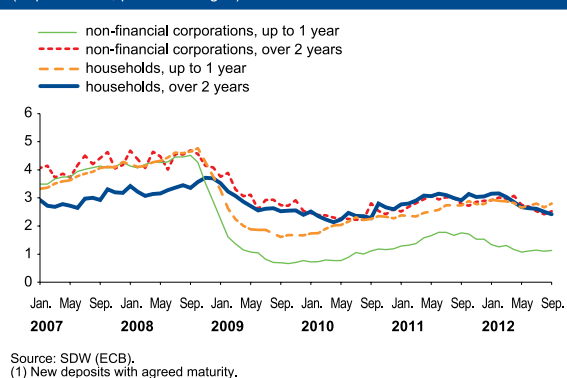
Unit labour costs were affected by the zero change in productivity and rose by 3,3% in 2011, compared with 1,4% in 2010, still remaining higher than the euro area average of 1% increase in 2011 (**Chart A. 25**, p. 43). Unit labour costs are an important economic indicator for a country as it measures labour costs per unit of goods and services produced and is associated with the competitiveness of the economy. Ensuring that unit labour costs are kept low in the medium and long term, especially in relation to competitor countries, is important for Cyprus's competitiveness. In the first quarter of 2012, unit labour costs in Cyprus rose by 0,6% compared with 1,5% in the corresponding period of 2011.

### 3. Domestic Competitiveness and Balance of Payments

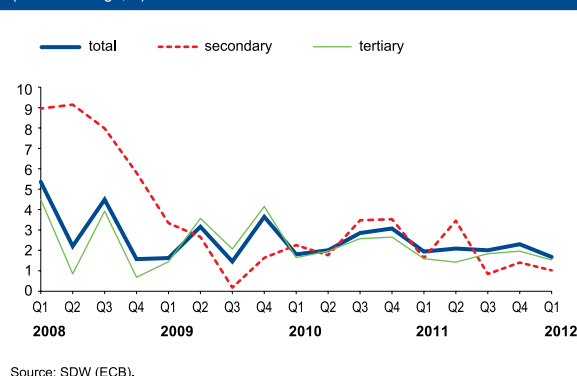
#### Effective exchange rate

**Chart A.26** (p. 43) presents the effective exchange rate (EER) of the Cyprus currency: the real EER (REER) as calculated by the IMF and the real and nominal EER index as calculated by the CBC<sup>7</sup>. The chart shows a

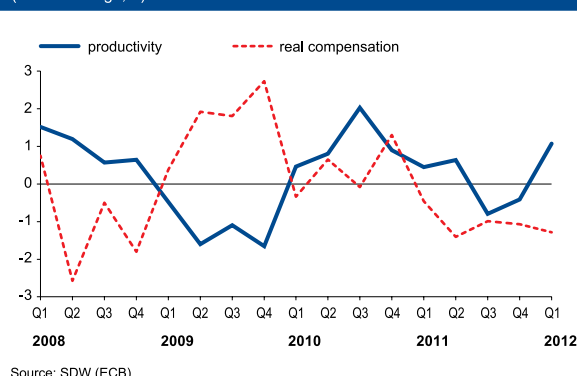
**CHART A.22 Euro area MFI interest rates on euro-denominated deposits (new business) by euro area residents<sup>(1)</sup>**  
(% per annum, period averages)



**CHART A.23 Nominal compensation per employee by sector**  
(annual change, %)



**CHART A.24 Productivity and real compensation per employee**  
(annual change, %)



weakening (depreciation) in the REER during the first eight months of the year. In general, the course of the REER reflects the path followed by the euro.

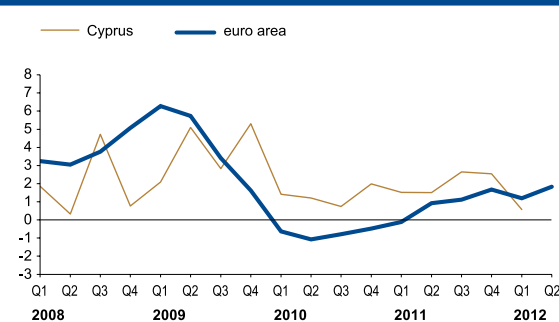
The REER, inflation and unit labour costs are important indicators of the competitiveness of the Cyprus economy, especially when compared with the respective indicators of competing countries. More specifically, the rise in unit labour costs and an appreciating REER indicate that domestic exports are more likely to be less competitive and imports to be cheaper. Higher inflation encompasses, among other things, the two aforementioned indicators and therefore reflects the potential competitiveness problems faced by the Cyprus economy. It should be emphasised that the agreement on the freezing of salaries of civil servants is expected to affect wages in other sectors of the economy as well, resulting in lower unit labour costs which will positively influence Cyprus's competitiveness in the medium term.

### Balance of payments

The current account deficit (**Chart A.27**) recorded a significant improvement in 2011, mainly due to the improvement in the income account deficit as well as the shrinking of the trade deficit. Preliminary data for the first half of 2012 show that the current account deficit recorded a marginal deterioration reaching €808,8 million, compared with a deficit of €786,2 million in the corresponding period last year. This deterioration was mainly the result of the widening of the income account deficit which reached €356,8 million, despite the significant improvement in the trade deficit and services account.

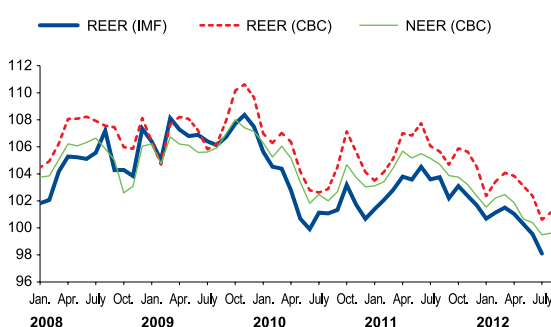
More specifically, the trade deficit reached \$1.920, 9 million in the first half of 2012, compared with a deficit of €2.215,1 the first half of 2011. This was mainly the result of the significant reduction in imports of goods by 9,5%, due to the reduction in all categories of imports,

**CHART A.25 Unit labour costs: Cyprus and the euro area**  
(annual change, %)



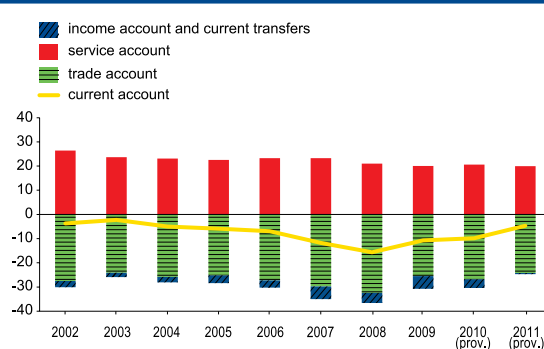
Source: SDW (ECB).

**CHART A.26 Real and nominal effective exchange rates of the Cyprus currency (IMF weights)**  
(base year 2005=100)



Sources: CBC, IMF.

**CHART A.27 Current account**  
(% GDP)



Source: CBC.

- The effective exchange rate in real terms "REER IMF" is calculated by the IMF and takes into account third country competition with 19 other countries. The deflator used is the CPI. Because of the time lag in publishing this index, the CBC calculates a simplified index using eight countries instead of 19 ("REER CBC"). The same index is also calculated by the CBC in nominal terms ("NEER CBC").

excluding oil imports which recorded an increase due to the significant increase in the price of oil. The reduction in the trade deficit was further enhanced by the small increase of 2% in exports of goods, which was entirely due to the increase in re-exports. The aforementioned path is reinforced by data on trade until August (**Table A.6**), with imports of goods recording a decrease of 8,8% and exports of goods an increase of 1,5%.

The services account in the period under review registered an improvement of the order of €48,9 million with respect to the corresponding period last year. More specifically, an increase of the order of €23,3 million in construction services is related to a project undertaken by a Cypriot company on behalf of the British Bases in Cyprus. An increase was also recorded in the category of other business services of the order of €140,4 million (16,7%) resulting from the increase in revenues by merchanting, legal, accounting and business consulting activities. It should be noted that during the first half of 2012, expenditure in other business services increased by €35,2 million resulting from legal, accounting and other business consulting activities as well as leasing expenditure for electricity generators. At the same time, an increase in revenue from tourism of 4,6% was recorded as a result of the 2,1% growth in tourist arrivals in combination with an increase of 2,5% in per capita spending. As far as tourism expenditure is concerned, an increase was recorded as a result of the increase in per capita expenditure of Cypriots travelling abroad. Finally, it should be noted that government services receipts were reduced by €19,3 million, reflecting, in part, lower amounts paid by the British Government to the British Bases in Cyprus. At the same time, a reduction was observed in receipts and payments that are related to the foreign embassies and consulates in Cyprus as well as Cypriot embassies abroad.

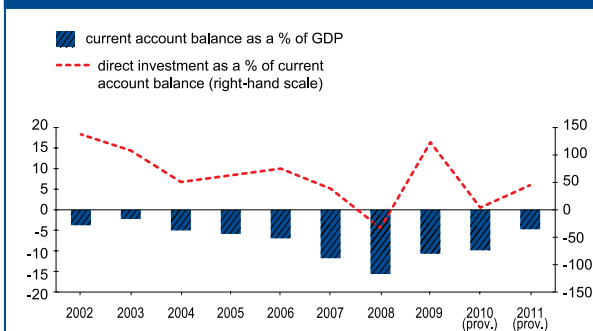
The balance of payments deficit was financed (**Chart A.28**) during the reporting period, from portfolio investment liquidations and foreign direct investments

**TABLE A.6 Trade account**  
(€ million)

	Imports	Exports	Trade deficit
2010	6.517,4	1.136,8	5.380,6
2011	6.260,5	1.406,0	4.854,5
annual % change	-3,9	23,7	-9,8
2011 Jan.-Aug.	4.273,9	947,2	3.326,7
2012 Jan.-Aug.*	3.895,7	961,6	2.934,1
annual % change	-8,8	1,5	-11,8

\* provisional data.  
Source: Cystat.

**CHART A.28 Current account financing by foreign direct investment**



Source: CBC.

in Cyprus. Other investments were also an important source of financing, mainly through loans granted to residents by non-residents and non-residents' deposits held by Cypriot MFIs.

## Tourism

Tourist arrivals rose by 10,1% in 2011 compared with 2010, while tourist revenue increased by 12,9%, as a result of an increase of 2,5% in per capita spending (**Table A.7** and **Chart A.29**).

In the first ten months of 2012, a further growth of 4,1% was recorded in tourists arrivals compared with the corresponding period of 2011. In the first eight months of the year, tourist revenues recorded an increase of around 8,6%, partly reflecting the negative geopolitical conditions in competitor Mediterranean countries, the efforts of Cyprus Tourism Organisation (CTO) and those of the private sector to further promote Cyprus as a tourist destination, especially for new markets such as Russia. More specifically, arrivals from Russia increased by 43,1% in the first ten months of 2012, which is also reflected in the revenue from tourism, as Russian tourists tend to spend more during their holidays.

In 2012 the tourist sector remained an important determinant for domestic growth since any loss in competitiveness due to prices was more than offset from the penetration in new markets as well as from the emphasis that has been given to new kinds of tourism products.

## 4. Domestic Demand, Production and the Labour Market

### Quarterly national accounts

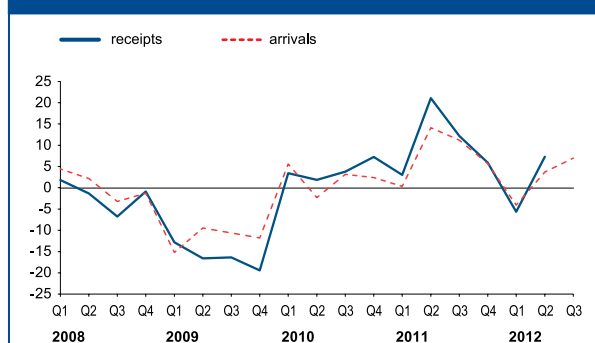
The Cypriot economy recorded a slight recovery in 2011, recording a growth of 0,5%, significantly lower than the growth of around 1,3% recorded in 2010. It is worth

TABLE A.7 Tourism

	Tourist arrivals (thous.)	Tourist receipts (€ million)	Expenditure per person (€)
2010	2.173,0	1.549,8	713,2
2011	2.392,2	1.749,3	731,3
annual % change	10,1	12,9	2,5
2011 Jan.-Aug.	1.669,9	1.218,3	729,6
2012 Jan.-Aug.	1.728,8	1.322,6	765,0
annual % change	3,5	8,6	4,9
2011 Jan.-Oct.	2.234,0	-	-
2012 Jan.-Oct.	2.326,1	-	-
annual % change	4,1	-	-

Source: Cystat.

CHART A.29 Tourist arrivals and receipts  
(annual change, %)



Source: Cystat.



noting that in the first half of 2011, the picture was much more positive with GDP growth reaching 1,5% compared with a fall of 0,5% in the second half of 2011 as a result of the negative path followed by domestic demand.

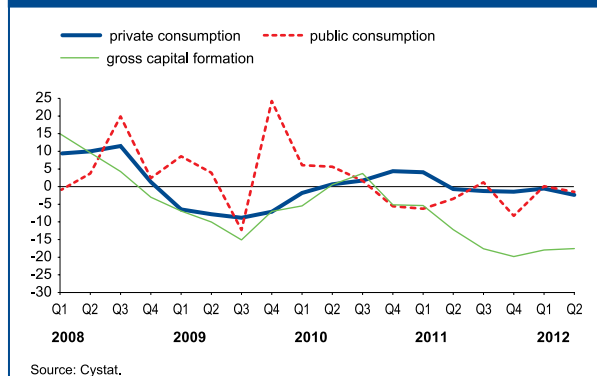
A further deterioration was recorded in the first half of 2012, with GDP falling by 1,9%. Also, based on preliminary data for the third quarter of 2012, GDP recorded a further decrease of 2,2%. The negative GDP trend is also confirmed by the downward path followed by the confidence indicators in the first ten months of the year.

Detailed data for the first half of 2012 (**Charts A.30(a)** and **A.30(b)**), show significant deterioration in private consumption by 1,4%. A much greater reduction of 17,7% was exhibited by gross fixed capital formation while exports of goods and services fell by 1,1%. As a result of the deterioration in domestic demand, imports of goods and services recorded a sharp decrease of 13% in the first half of the year.

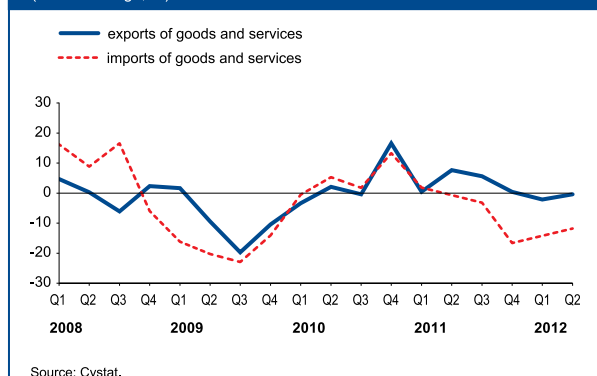
### Domestic demand

Recent economic indicators reflect the negative developments affecting domestic demand. Based on the relevant confidence and domestic economic indicators, GDP growth is expected to continue to be weak (**Table A.8**). Specifically, the index of Economic Sentiment Indicator (ESI) fell from 77 in December 2011 to 66,6 in October 2012. At the same time, the index of retail sales (**Chart A.31**, p. 47), private sector lending, registration of motor vehicles (**Chart A.32**, p. 47) and the VAT receipts recorded a negative path during the period under review. As regards the higher growth of credit card payments until September 2012, this primarily reflects the increase in the price of oil as well as the increased use of credit cards, especially for paying taxes to the state (**Chart A.33**)

**CHART A.30(a) Quarterly GDP growth (expenditure categories)**  
(annual change, %)



**CHART A.30(b) Quarterly GDP growth (expenditure categories)**  
(annual change, %)



**TABLE A.8 Business and consumer surveys: confidence indicators**

(for sub-indices: difference between percentages of positive answers and percentage of negative answers)

	2012 June	2012 July	2012 Aug.	2012 Sep.	2012 Oct.
ESI	74,1	71,9	71,5	67,9	66,6
Industry	-23	-24	-20	-27	-23
Services	-28	-28	-36	-36	-42
Consumer	-49	-52	-54	-54	-59
Retail trade	-25	-27	-29	-31	-34
Construction	-59	-61	-61	-68	-62

Source: European Commission.  
Note: Seasonally adjusted data.



## Construction

The construction sector in Cyprus continued its negative trend during the first nine months of 2012, as shown by the indicators of production activity in the sector which exhibited significant reductions. A similar trend has been followed by immovable property prices, while net transactions of housing loans have also deteriorated.

Specifically, the index of production in the construction sector, published by Cystat, recorded annual declines of 17,6% and 25,9% in the first and second quarter of 2012, respectively (**Chart A.34**, p. 48). These declines are historically the largest since the first quarter of 2000, when data first became available. The downturn in the construction sector is also reflected in the local sales of cement, which recorded an annual decline of 32,9% (**Chart A.35**, p. 48), while its level of sales bottomed at the lowest level since 2002, when data first became available. It should be noted that the cement which is produced in Cyprus and it is not absorbed by the domestic demand, is exported abroad. In the first nine months of 2012, exports of cement increased to 150.360 tonnes from 31.295 tonnes in the respective period of 2011, reflecting the weak domestic demand. Additionally, the price index of construction materials recorded an annual increase of 0,3% and decrease of 0,4% in the second and third quarter of 2012, respectively. This stabilisation of the price of construction materials is perceived as a positive development under the current economic circumstances.

Furthermore, the continued lack of liquidity in the market has contributed towards the reduction in construction activity and prevents potential buyers (locals and foreigners) from purchasing property. Specifically, according to the CBC's Bank Lending Survey as a result of the difficulties that the banks face in their struggle to meet the necessary capital adequacy requirements, the lending criteria for housing loans became tighter during the second quarter of 2012 compared with the first quarter of 2012 thus rendering the access to credit from potential

CHART A.31 Retail sales (excluding motor vehicles)

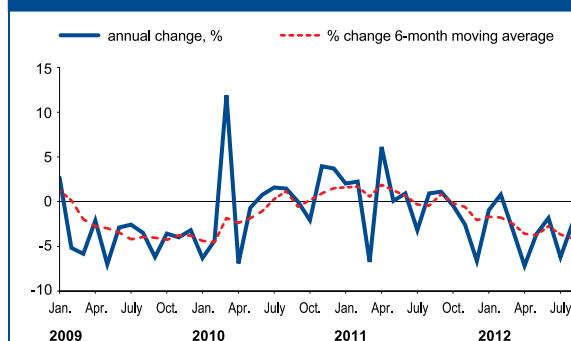


CHART A.32 Registration of motor vehicles

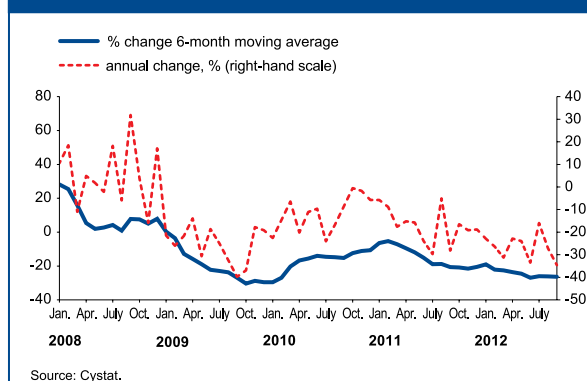
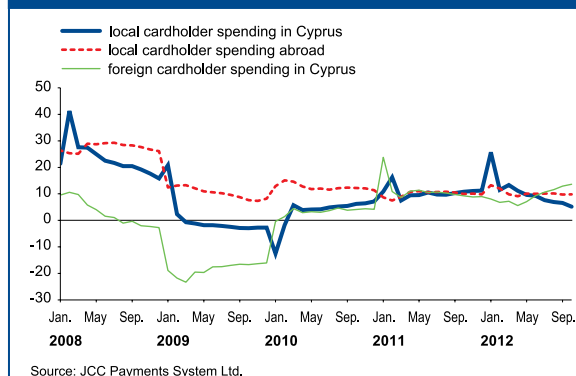


CHART A.33 Credit card spending  
(cumulative annual % change from January)



buyers more difficult (**Chart A.36**). As regards the interest rates<sup>8</sup> on housing loans, these have recorded a slight increase in the first nine months of 2012 (average rate of 5,34%) compared with the same period in 2011 (average rate of 5,23%). However, on a quarterly basis the interest rate decreased from 5,41% in the second quarter of 2012 to 5,25% in the third quarter of 2012.

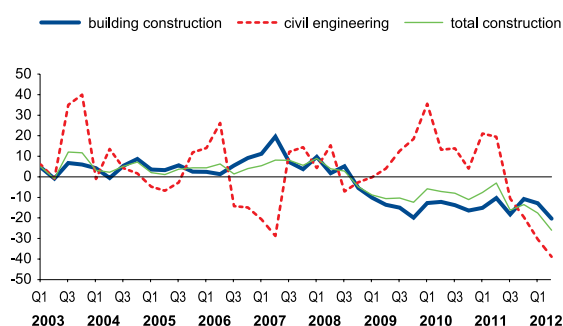
As a result of the tighter lending criteria and the uncertainty that prevails among consumers regarding their future income (due to the austerity measures contained in the MoU provisionally agreed with the Troika), demand for housing loans has been reduced. Specifically, net transactions of housing loans from residents were negative for most of 2012.

Furthermore, the lack of liquidity and the uncertainty in the market had a negative impact on the demand for property. For the first ten months of 2012, the total number of sales contracts for both local and foreign buyers recorded an annual decrease of 9,4% (**Chart A.37**, p. 49), reflecting decreases of 5,6% and 21% for local and foreign buyers, respectively.

In addition to the above adverse developments in the market, residential property prices in Cyprus followed a negative trend. Specifically, the CBC's residential property price index recorded a decline of 5,9% on an annual basis during the second quarter of 2012.

Given the current generally gloomy situation in the broader economy, the short-term prospects for the construction sector are ominous. Specifically, the number of authorised building permits, which is a leading indicator for future construction activity, recorded an annual decline of 6,7% for the first eight months of 2012 (**Chart A.38**, p. 49). The authorised building permits for residential properties recorded an even larger decline of 16,7%. Furthermore, the index of the "expected selling prices in the next three months", published in the Business and Consumer Surveys of the European Commission, remained at negative levels (-36,3 in the third quarter of 2012 compared with -36,9 in the second quarter of 2012).

**CHART A.34 Quarterly index of production in construction**  
(annual change, %)



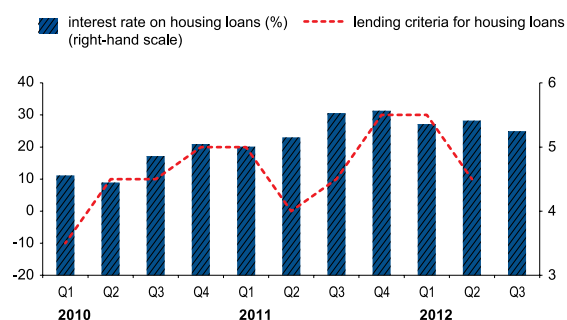
Source: Cystat.

**CHART A.35 Sales of cement**



Source: Cystat.

**CHART A.36 Lending criteria and interest rate on housing loans**



Source: CBC.

8. Fluctuating and up to one year fixed.

Based on the same surveys, the index for the “expected employment in the construction sector in the next three months” declined from -34,3 in the second quarter of 2012 to -40,1 in the third quarter of 2012, reflecting the negative prospects of the sector. As regards the sentiment indicator in the construction sector, it has worsened from -57,7 in the second quarter of 2012 to -63,4 in the third quarter of 2012 (**Chart A.39**). In addition, the index of “intention to build or purchase a home in the next twelve months” remained relatively stable at the very negative level of -91,6 in the third quarter of 2012 compared with -90,6 in the second quarter. On the other hand, the aim of the government to attract foreign investors, mainly from Russia and China, through the setting of formal procedures for granting permanent residence permits, inter-alia by the purchase of immovable property worth over €300.000, is expected to have a positive effect on the Cyprus real estate market. However, the generally gloomy picture of the construction sector is not expected to improve in the short-term.

### Labour market

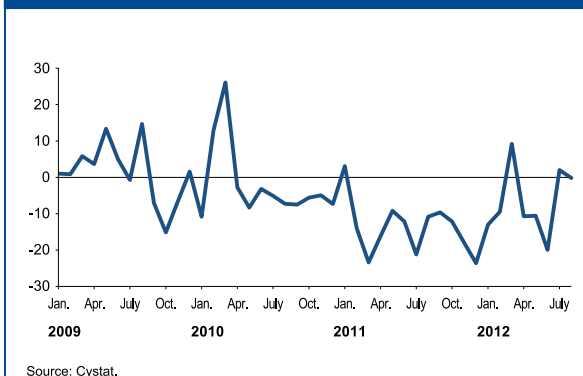
In relation to the weak growth of GDP in 2011, employment recorded an annual increase of only 0,5%, while in the first half of 2012 this positive trend was reversed, recording a reduction of 2,7%, which also reflects the negative economic developments.

According to the Labour Force Survey (LFS), the unemployment rate reached 11,2% in first half of 2012 compared with 7,4% in the corresponding period of 2011. This increase in unemployment is directly related to weak GDP growth and the uncertainty that prevailed in the domestic market. This negative development is also confirmed from registered unemployment data. (**Chart A.41**, p. 50). More specifically, the registered unemployment rate rose to 8,6% in the first half of 2012 compared with 6,6% in the corresponding period of 2011. Most recent monthly data for registered unemployment shows that

**CHART A.37 Sales contracts**  
(total of locals and foreigners)



**CHART A.38 Building permits authorised**  
(annual change, %)



**CHART A.39 Construction confidence indicator**



there was an increase in unemployment from almost 27 thousand persons in October 2011 to nearly 34,5 thousand in October 2012.

In this period of increased uncertainty and economic instability, the monitoring of unemployment by duration is very important. According to the LFS data as presented in **Chart A.42**, unemployment with duration of six months or more reached 5,7% in the second half of 2012 compared with 2,7% in the corresponding period of 2011.

## 5. Domestic Public Finance Developments

Despite the fiscal consolidation measures adopted over the second half of 2011, the budget deficit deteriorated by 0,3 percentage points over the first nine months of 2012 compared with the corresponding period of the previous year, reaching 3,3% of GDP (**Chart A.43**, p. 51). This development is attributable to the reduction of revenue due to the contraction in economic activity over the period under consideration. Specifically, a budget deficit of 0,2% of GDP was recorded over the third quarter of 2012 compared with a budget surplus of 0,5% of GDP over the corresponding quarter of 2011.

In particular, according to preliminary Cystat data on general government revenue and expenditure for the first nine months of 2012 (**Table A.9**, p. 51), public revenue exhibited an annual reduction of 1,5%. This reduction materialised despite the fact that a significant annual growth of 9,5% was registered in the first quarter of 2012 (**Chart A.44**, p. 52) due to one-off revenues from the special settlement of tax debts that accumulated by the end of 2008. At the same time, public expenditure recorded a marginal annual reduction of 0,5%. The annual reduction in public revenue is mainly attributed to the reduction in direct tax receipts, while the marginal annual reduction in public expenditure mainly reflects the significant reduction in expenditure for gross fixed capital formation and was recorded despite

CHART A.40 Unemployment and employment

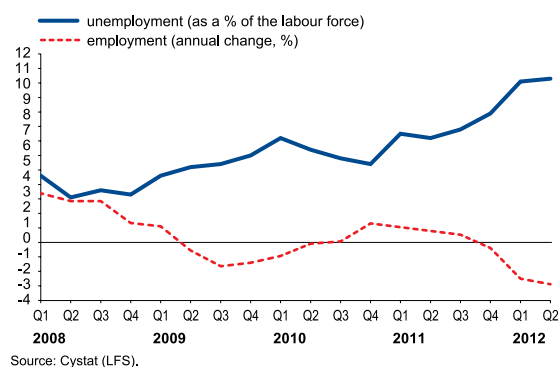


CHART A.41 Registered unemployment (as a % of the labour force)

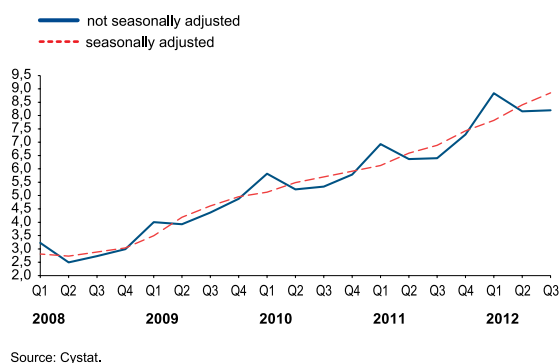
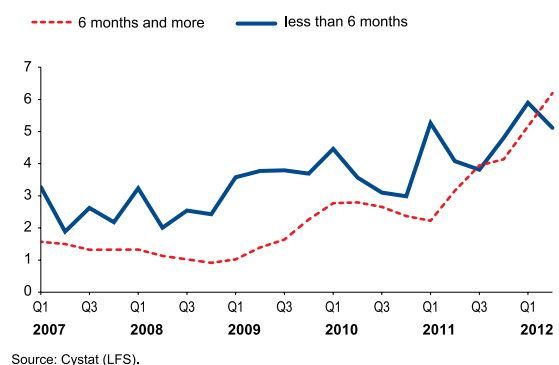


CHART A.42 Unemployment by duration (as a percentage of the labour force)



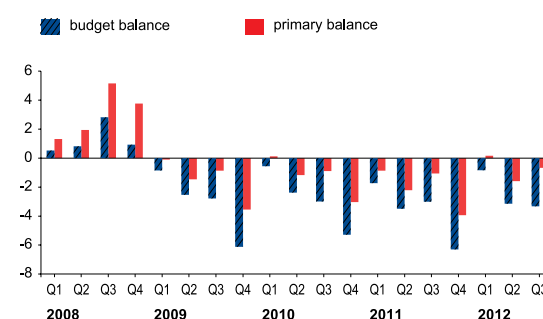
the significant increase in expenditure on interest payments.

## Public revenue

Regarding revenues from direct taxes, a significant annual decrease of 4,1% was recorded in the category “Current taxes on income, wealth, etc.” over the first nine months of 2012 (**Table A.9**), mainly due to the reduction in receipts from corporate taxation and the special contribution to the Defence Fund. As demonstrated by the Inland Revenue Department (IRD) data covering the first nine months of 2012, receipts from corporate taxation recorded an annual reduction of 7,2% compared with an annual growth of 22,7% over the corresponding period of the previous year. This is attributable to a large extent to the expected low corporate profitability given the negative economic climate. Regarding receipts from the special contribution to the Defence Fund, the significant annual reduction of 8% is partly attributed to a base effect, namely the increased revenues from taxation on dividends that were recorded in September 2011 in anticipation of the rise in the relevant tax rate from companies at the end of the previous month.

With respect to revenues from indirect taxes, an annual reduction of 1,6% is evident in the category “Taxes on production and imports” over the first nine months of 2012, which includes revenues from Value Added Tax (VAT) (**Table A.9**). VAT receipts recorded an annual decrease of 2,8% over the period under consideration, primarily due to the continued sluggish growth in private consumption and despite the increase in VAT to 17% as from 1 March 2012.

**CHART A.43 Budget and primary balances of the general government**  
(cumulative for the period as from Q1 as a % of GDP)



Sources: Cystat, CBC.

**TABLE A.9 Accounts of general government**  
(€ million)

	Jan.-Sep. 2011 (€ million)	Jan.-Sep. 2012 (€ million)	Change %
<b>EXPENDITURE</b>			
Intermediate consumption	641,2	619,7	-3,4
Gross fixed capital formation	401,7	305,9	-23,8
Compensation of employees	2.007,1	2.040,6	1,7
Other taxes on production	0,4	0,3	-25,0
Subsidies payable	40,4	68,4	69,3
Interest paid	350,7	470,6	34,2
Social benefits	1.919,9	1.923,6	0,2
Other current transfers	331,9	275,1	-17,1
Capital transfers payable	96,6	54,9	-43,2
<b>Total expenditure</b>	<b>5.789,9</b>	<b>5.759,1</b>	<b>-0,5</b>
<b>Total expenditure as a % of GDP</b>	<b>32,2</b>	<b>32,5</b>	
<b>REVENUE</b>			
Market output & output for own final use	322,9	366,4	13,5
Taxes on production and imports	1.929,8	1.898,4	-1,6
of which VAT	1.128,4	1.097,1	-2,8
Property income receivable	109,0	89,5	-17,9
Current taxes on income, wealth, etc	1.511,1	1.449,4	-4,1
Social contributions receivable	1.247,0	1.213,7	-2,7
Other current transfers receivable	125,5	149,4	19,0
Capital transfers receivable	4,6	3,5	-23,9
<b>Total revenue</b>	<b>5.249,9</b>	<b>5.170,3</b>	<b>-1,5</b>
<b>Total revenue as a % of GDP</b>	<b>29,2</b>	<b>29,2</b>	
<b>Surplus (+) / Deficit (-)</b>	<b>-540,0</b>	<b>-588,8</b>	
<b>Surplus (+) / Deficit (-) % of GDP</b>	<b>-3,0</b>	<b>-3,3</b>	

Source: Cystat, CBC.

## Public expenditure

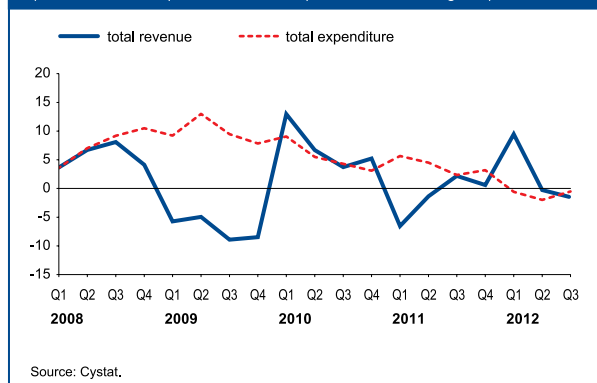
Regarding public expenditure developments, the observed marginal annual decrease in overall expenditure over the first nine months of 2012 is mainly attributed to the reduction in expenditure for gross fixed capital formation by 23,8%, which was partly offset by the following three factors: first, the observed increase of 34,2% in expenditure for interest payments, primarily due to the second instalment for the servicing of the Russian loan budgeted for the year under consideration; second, the annual growth in compensation of employees by 1,7% despite the wage freeze, due to the higher-than-expected expenditure on pensions and gratuities reflecting the wave of early retirements; third, the significant annual increase in subsidies for public transport and agricultural purposes.

With respect to general government expenditure for social transfers, this exhibited a marginal annual increase of 0,2%. This was mainly due to the increase in social transfers paid by the Social Security Fund (SSF) given the continued deterioration in labour market conditions. Specifically, based on Ministry of Finance data covering the first nine months of 2012, SSF expenditure for social transfers increased by 9,3%. This robust annual increase is attributed to the significant annual increases in spending for unemployment and redundancy payments by 32,1% and 46,1%, respectively, based on Ministry of Labour and Social Insurance data covering the period under consideration. The significant annual increase in SSF expenditure on social security payments demonstrates the significant reduction in Ministry of Finance expenditure for social transfers, including child benefit and student grants.

## Budget deficit and consolidated gross debt

The government's recent budget deficit projection of 5,2% of GDP, which was incorporated in the 2013

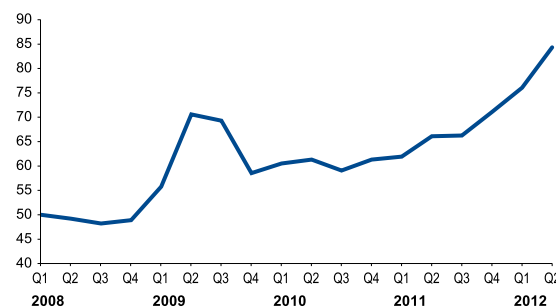
**CHART A.44 Total revenue and expenditure of the general government**  
(cumulative for the period as from 1st quarter, annual change, %)



Budget, includes measures that have been discussed with the Troika in the context of the Republic of Cyprus' application for financial assistance. The Autumn 2012 European Commission forecasts, which were published in November 2012, point to a budget deficit of 5,3% of GDP for 2012.

According to available preliminary data published by Eurostat, the general government consolidated gross debt as a percentage of GDP increased by 13,2% over the second quarter of 2012, from 71,1% to 84,3% of GDP at the end of 2011 (**Chart A.45**). The relevant government projection as reported in the Autumn 2012 Excessive Deficit Procedure (EDP) notification to Eurostat points to a gross debt-to-GDP ratio of 84,9% for 2012, while the 2013 Budget points to a ratio of 85,8% of GDP. The respective European Commission projection published in November 2012 is much more pessimistic and points to a gross debt-to-GDP ratio of 89,7%. The increase in gross debt over 2012 compared with 2011 is mainly attributed to the issuance of a government bond for the recapitalisation of a banking institution as well as an increase in the cost of borrowing and the deterioration in the primary deficit and in macroeconomic conditions. Based on more recent data published by the Public Debt Management Office (PDMO), the central government consolidated gross debt increased by about 14,1% of GDP over the third quarter of 2012, reaching 83% of GDP compared with 68,9% at the end of 2011. It should be noted that the PDMO data is different from that of Eurostat given that it refers to the gross debt of central government, which excludes the debt of certain semi-governmental organisations that fall under the central government definition as well as the debt of local authorities.

**CHART A.45 General government consolidated gross debt**  
(as a % of GDP)



Sources: Eurostat, Cystat, CBC.

## **6. Macroeconomic Forecasts for the Cyprus Economy**

The macroeconomic growth forecasts for the Cyprus economy have been revised downwards significantly for both 2012 and 2013. The uncertainty prevailing in the domestic market in recent months, particularly after the country's application for financial support from Troika in June, has significantly influenced the developments in 2012, with economic indicators registering historically negative levels. In 2013 the contraction is expected to be even greater due to the adoption of significant fiscal consolidation measures as set out in the initial MoU agreement.

### **Working assumptions**

The projections for the Cyprus economy are based on the Eurosystem's assumptions about the world economy. They cover variables such as interest rates, exchange rates, the price of oil and international trade. These projections are used to analyse and evaluate international developments and the risks to price stability by the ECB's Governing Council, which is responsible for setting monetary policy in the euro area. The projections are based on a common set of assumptions and data available as at 23 November 2012, for all euro area countries. As far as the working assumptions for the domestic economy are concerned, these were prepared by taking into consideration the fiscal measures incorporated in the initial MoU agreement.

The working assumptions of the Eurosystem are as follows: the euro is expected to fluctuate at around \$1,28 for the period 2012-2014. The price of oil is expected to average \$111,7 per barrel in 2012, falling to \$105 in 2013 and to \$100,5 in 2014.



### Eurosystem projections for the euro area

Based on the above working assumptions, euro area inflation is expected to fluctuate at around 2,5% in 2012 compared with 2,7% in 2011 (**Table A.10**). A smaller increase in inflation is expected in 2013, with the rate being between 1,1% and 2,1%. Inflation in 2012 is mainly affected by the increase in oil prices, the exchange rate of the euro against the dollar and by the increases in indirect taxes. The deceleration in inflation in 2013 is expected to be largely affected by lower oil prices as well as by subdued economic activity. Inflation in 2014 is expected to fluctuate between 0,6% and 2,2% as a result of the economic uncertainty and the path of fiscal consolidation in many euro area countries.

HICP inflation excluding energy and food is expected to remain stable in 2012 and 2014, reflecting subdued domestic demand and contained labour costs as well as the increases in indirect taxes and administered prices.

GDP growth is expected to fluctuate between -0,6% and -0,4% in 2012, -0,9% and 0,3% in 2013 and 0,2% and 2,2% in 2014. The projected recovery is expected to be significantly affected by subdued domestic demand, unfavourable financing conditions, fiscal consolidation measures and the impact of the sovereign debt crisis on consumer and investor confidence.

### Projections for the Cyprus economy

The projections have been revised downwards significantly compared with June 2011, reflecting the protracted recession affecting the Cyprus economy as well as the adoption of the fiscal consolidation measures set out in the MoU agreement. Consumer and business confidence remain at very low levels, while further contraction in economic activity is expected in 2014.

**TABLE A.10 Eurosystem projections for the euro area**  
(annual change, %)

	2011	2012f	2013f	2014f
<b>GDP</b>				
December Projections 2012	1,5	-0,6 - -0,4	-0,9 - 0,3	0,2 - 2,2
June Projections 2012	1,5	-0,5 - 0,3	0,0 - 2,0	0,0 - 2,0
<b>Inflation</b>				
December Projections 2012	2,7	2,5 - 2,5	1,1 - 2,1	0,6 - 2,2
June Projections 2012	2,7	2,3 - 2,5	1,0 - 2,2	1,0 - 2,2

Source: ECB.

### Prices: harmonised index of consumer prices

Cyprus HICP inflation is expected to reach 3,1% in 2012 compared with 3,5% in 2011 (**Table A.11**). This deceleration is mainly due to a base effect in the energy, processed food and non-energy industrial goods, despite the upward impact on the index from the adoption of the new weights. Nevertheless, HICP excluding energy inflation is expected to remain constant at 1,9%, as in 2011, despite the increase in VAT by 2 percentage points from 15% to 17% in March 2012.

HICP inflation is expected to register a significant slowdown in 2013, reaching 1,5% despite the new indirect taxation imposed on tobacco, alcohol and oil, as well as the increase in the VAT rate incorporated in the MoU. This slowdown is mainly due to the expected reduction in energy prices, resulting from the assumptions for lower oil prices and the euro-dollar exchange rate as well as from the dissipation of the impact of the aforementioned methodological change in 2012. Similarly, the HICP excluding energy is expected to record a deceleration to 1,9% in 2013.

HICP inflation is projected to exhibit a further slowdown in 2014, reaching 1,3%, mainly due to the subdued economic environment and despite the new taxes expected to be imposed on the basis of the MoU.

### Compensation, productivity and the labour market

The negative economic conditions which are anticipated in 2012-2014 are expected to significantly affect employment. More specifically, employment in 2012 is expected to register a decrease of 3,2%, while in 2013 and 2014 employment is expected to deteriorate even further following the worsening economic conditions as a result of the adoption of the fiscal consolidation measures initially agreed in the MoU (**Table A.12**). Regarding the unemployment

**TABLE A.11 HICP projections**  
(annual change,%)

	2011	2012f	2013f	2014f
<b>HICP</b>				
December Projections 2012	3,5	3,1	1,5	1,3
June Projections 2012	3,5	3,2	1,3	-
<b>HICP excluding energy</b>				
December Projections 2012	1,9	1,9	1,9	1,7
June Projections 2012	1,9	2,2	1,6	-

Sources: Cystat, CBC.

**TABLE A.12 National accounts projections in real terms**  
(annual change,% )

	2011	2012f	2013f	2014f
<b>GDP</b>				
December Projections 2012	0,5	-2,4	-3,5	-1,3
June Projections 2012	0,5	-1,1	0,4	-
<b>Private consumption</b>				
December Projections 2012	0,2	-4,8	-5,3	-2,1
June Projections 2012	0,2	-2,9	-0,3	-
<b>Public consumption</b>				
December Projections 2012	-0,2	-1,0	-11,2	-2,8
June Projections 2012	-4,7	-1,6	-0,4	-
<b>Gross fixed capital formation</b>				
December Projections 2012	-13,1	-23,6	-12,1	-2,2
June Projections 2012	-13,8	-6,9	-5,6	-
<b>Exports of goods and services</b>				
December Projections 2012	3,3	1,5	1,6	1,4
June Projections 2012	3,6	0,5	1,2	-
<b>Imports of goods and services</b>				
December Projections 2012	-4,1	-9,8	-6,4	-0,1
June Projections 2012	-5,0	-4,7	-2,1	-

Sources: Cystat, CBC.

rate, as defined by the Labour Force Survey (LFS), it is expected to reach 12% in 2012, which is a new historical high, while in 2013 and 2014 a further increase to 13,7% and 14,2% is anticipated respectively. The new forecasts for employment and unemployment are significantly more negative compared with the previous forecasts, following the downward revision of GDP forecasts.

In 2012 productivity growth is expected to increase marginally, as a result of the significant reduction in employment and the assumption that the more productive employees retain their jobs. As far as 2013 and 2014 are concerned, the abovementioned path is expected to be reversed with productivity registering decreases, reflecting the negative economic sentiment. The growth rate of compensation per employee is expected to increase by 0,2% in 2012 (mainly as a result of the significant increase in early retirements from the public sector, and therefore+ the significant increase in gratuities). Taking into account the measures initially agreed in the MoU, compensation per employee is expected to decrease significantly in 2013 and 2014. In relation to the above, unit labour cost is expected to decrease in the period 2012-2014.

### **National accounts**

As far as national accounts (**Table A.12**, p. 56) are concerned, real GDP growth for Cyprus is expected to fall in 2012 by about 2,4%, while a further reduction is expected in 2013 and 2014.

Private consumption is expected to shrink by 4,8% in 2012 compared with a slight increase of 0,2% recorded in 2011. This picture is confirmed by certain indicators, such as retail sales registering a decrease of about 3,2% by August 2012. At the same time, car registrations continue to record declines for more than two years, while domestic consumer loans, including credit card spending over the past few months, registered negative

rates. In addition, public consumption is expected to register a marginal decrease of about 1% in 2012, mainly affected by the consolidation plan and in particular the permanent reduction in compensation per employee in the public and the broader public sector by the end of 2012. In 2013 and 2014, mainly due to the adoption of additional fiscal measures concerning further reductions in the compensation per employee in the public and the broader public sector, as well as the reduction in allowances, and the limitation of operating costs, a further shrinkage is expected of the order of 11,2% and 2,8%, respectively.

Gross fixed capital formation is expected to record a significant reduction in 2012 of the order of 23,6%, despite the investment for the reconstruction of the Vassilikos power station. Total exports of goods and services are expected to grow by 1,5% in 2012, mainly affected by the revenue from tourism and other business services. With respect to imports of goods and services, these are expected to decrease by 9,8% in 2012, reflecting sluggish domestic demand.

Regarding 2013 and 2014, economic activity is expected to continue being negative, with GDP contracting by 3,5% and 1,3%, respectively. The contraction is expected to stem mainly from domestic demand, while a positive impact is expected from higher exports and lower imports.

### **Fan charts for the macroeconomic projections**

The projections for HICP inflation (**Table A.11**, p. 56) as well as those for GDP growth (**Table A.12**, p. 56) are the modal forecasts and are considered as the most likely outcomes given the working assumptions of the Eurosystem. However, due to the tentative nature of the assumptions, the projections are subject to uncertainty.

The probability of GDP, HICP inflation and HICP inflation excluding energy forecasts lying around their

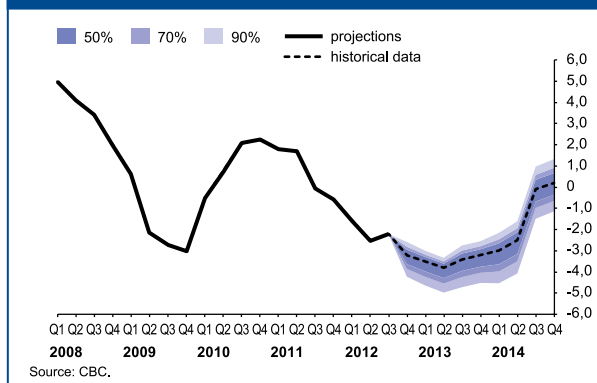
respective modal projections is depicted in **Charts A.46, A.47 and A.48** respectively. The three confidence intervals show the bands in which GDP, HICP inflation and HICP inflation excluding energy are expected to be with a probability of 50%, 70% and 90%. For example, the darkest band includes the modal projection and covers 50% of the probability.

The probability distribution, which is based both on statistical methodology and on expert judgment, can either be normal or two piece normal with a degree of asymmetry around the modal projections. In particular, the skewed distribution is separated into two unequal parts, above and below the modal forecast. Moreover, the bands of the fan charts widen as the time horizon is extended, indicating the increasing uncertainty of outcomes in the longer-term.

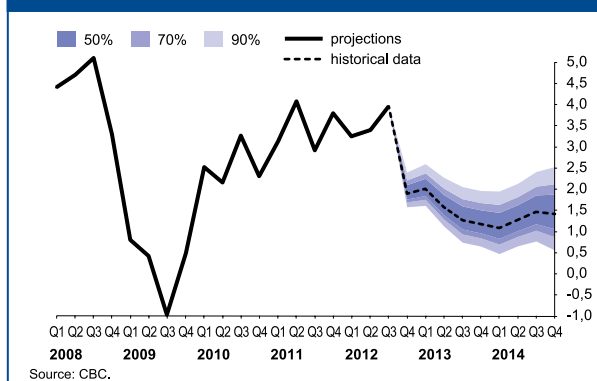
With respect to the risks inherent in GDP forecasts, the likelihood of downside risks is more likely. Furthermore, the intensification of the sovereign debt crisis in the euro area as well as the worse than expected economic conditions experienced by our trading partners are expected to have a negative impact on the Cyprus economy. Further negative impact is also possible if more drastic fiscal measures are adopted in the form of indirect taxes and in the framework of the MoU. On the other hand, if the measures are well implemented and effective, then the uncertainty prevailing in the market will be minimized and in conjunction with the restructuring and recapitalisation of the banking system will improve liquidity conditions which will give a significant boost to the domestic economy.

With regard to HICP inflation, the most significant upside risks relate to the possibility of further increases in indirect taxes and administered prices in order to meet the fiscal target, the higher oil prices and / or a depreciation of the euro against the dollar, as well as the possibility of indirect and secondary effects of past

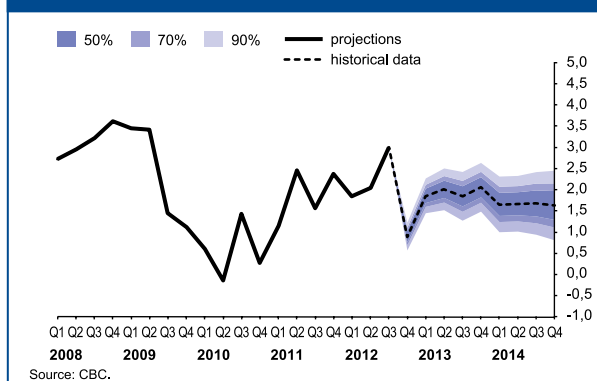
**CHART A.46 Real GDP fan chart**  
(annual change,%)



**CHART A.47 HICP fan chart**  
(annual change,%)



**CHART A.48 HICP excluding energy fan chart**  
(annual change,%)



increases in oil prices affecting inflation with a lag.

On the other hand, the most significant downside risks to inflation relate to the possibility of a more severe and more prolonged contraction in economic activity and disposable income and increased unemployment. Furthermore, the deterioration in the international economic environment may reduce the external demand for services. An additional risk may arise from the limited ability of banks to give loans and a subsequent further reduction in house prices. These risks indicate that an upward deviation from the model forecast of the HICP and the HICP excluding energy has a greater statistical probability of being realised.







SECTION B

**Statistical Annex**

## Explanatory notes for Statistical Annex

The statistical annex contains data on, mostly, the domestic economy and, where possible, longer time series than in the main body of the Bulletin. In the notes below, there is aggregate information on the aforementioned data, including explanations for both the subcategories and the sources of the data. The most recent data are, in general, preliminary and thus may need to be revised in future editions of the Bulletin.

**Table B.1** shows the bilateral exchange rates of selected currencies against the euro. The source of the data is Bloomberg.

**Tables B.2-B.7** refer to the Consumer Price Index (CPI), which is published on a monthly basis by Cystat with 2005 as the base year. The tables show both the national CPI and the HICP. Even though the two indices exhibit similar fluctuations, they differ in two respects. First, the expenditures of charitable institutions (i.e. nursing homes, religious organisations, etc.) and foreign tourists are included in the HICP but not in the national CPI. The second difference concerns imputed rents, which were included in the national CPI until 2005 but not in the HICP. From January 2006, only part of the imputed rents was included in the national CPI, and since 2011 these have been harmonised with the full exclusion of imputed rents from the CPI.

More specifically, **Tables B.2** and **B.3** show the percentage change in the CPI by economic category and the corresponding weighted contribution to the total change in the CPI by economic category, respectively. **Tables B.4** and **B.5** present the percentage change in the CPI by category of goods and services and the corresponding weighted contribution to the total change in the CPI by category of goods and services, respectively. **Tables B.6** and **B.7** show the percentage change in the CPI for prices of services and the corresponding weighted contribution to the

percentage change in prices of services, respectively.

**Table B.8** presents the balance of payments of Cyprus which records the transactions between residents and non-residents. The balance of payments is divided into the current account and the capital and financial account which, because of the double entry principle, must be equal with opposite signs. **Table B.9** shows the trade balance of Cyprus, which records the trade in goods between residents and non-residents of Cyprus. **Tables B.10** and **B.11** present the direct investments by non-residents in Cyprus and Cypriot residents' direct investments abroad, respectively. **Table B.12** shows the international investment position of Cyprus, namely the assets and liabilities of residents over non-residents. The data for **Tables B.8, B.10-B.12** are collected and compiled by the CBC and are based on the IMF's methodology ("BPM5"). **Table B.9** is prepared and published by Cystat.

**Table B.13** shows tourist arrivals and revenue from tourism as published by Cystat and based on the results of the monthly Passenger Survey.

**Table B.14** shows GDP by category of expenditure at constant 2005 market prices calculated using the chain linking method, while **Table B.15** shows GDP by category of expenditure at current market prices. The data for GDP are prepared by Cystat and are based on the concepts and methodology of the European System of Accounts (ESA 95). Provisional data are based on the last available indicators, until the results of various economic surveys are finalised.

**Table B.16** shows the turnover volume index of retail trade which uses the EU's new version of the statistical classification of economic activities, NACE Rev. 2, as published by Cystat with 2005 as the base year.

**Table B.17** shows construction indicators as published by Cystat. Specifically, it shows the total area of building permits authorised by the municipal authorities and the district administration offices as well

as the sales of cement.

**Table B.18** presents the index of industrial production, which shows the monthly change in volume production in the sectors of mining and quarrying, manufacturing industries, electricity, gas, steam and air-conditioning supply, water supply, sewerage, waste management and remediation, i.e. sectors B, C, D and E of the EU's new statistical classification of economic activities, NACE Rev. 2. This index is published by Cystat with 2005 as the base year.

**Table B.19** shows key indicators of the labour market in Cyprus based on the Labour Force Survey (LFS), which is published by Cystat. The LFS is conducted in all EU member states, based on the Regulation 577/98 of the EU Council.

**Table B.20** presents gross and net public debt, as compiled by the Ministry of Finance. The table breaks down public debt into its domestic and foreign components as well as distinguishing between long-term and short-term debt. In addition, the table presents the total intragovernmental debt.

TABLE B.1 Exchange rates of selected currencies against the euro

	USD/EUR	GBP/EUR	JPY/EUR
Average for January	1,2912	0,8317	99,3332
Average for February	1,3237	0,8375	104,0605
Average for March	1,3213	0,8346	109,0709
Average for April	1,3164	0,8224	106,9900
Average for May	1,2788	0,8039	101,9022
Average for June	1,2548	0,8065	99,5710
Average for July	1,2293	0,0788	97,0932
Average for August	1,2404	0,7891	97,5904
Average for September	1,2874	0,7989	100,6210
Average for October	1,2970	0,8070	102,4696
Average for November (until 16 Nov.)	1,2775	0,8011	102,3825
Average for Jan-November (until 16 Nov.)	1,2834	0,8113	101,8606
Closing rate on 31/12/2011	1,2961	0,8334	99,6600
Closing rate on 16/11/2012	1,2743	0,8022	103,6000
Highest exchange rate vs. the euro	1,3458	0,8494	110,7500
	(28-Feb)	(23-Feb)	(27-Mar)
Lowest exchange rate vs. the euro	1,2061	0,7779	94,3100
	(24-Jul)	(24-Jul)	(24-Jul)
% appreciation (+)/depreciation (-) of the currency vs. the euro from closing rate on 31/12/2011 to closing rate on 16/11/2012	-1,7%	-3,7%	4,0%

Source: Bloomberg

TABLE B.2 Percentage change in CPI by economic category (%)

	2009	2010	2011	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11	Weights	
										2005=100 (for 2008-2010)	2005=100 (for 2011&2012)
<b>GENERAL INDEX</b>	<b>0,32</b>	<b>2,43</b>	<b>3,29</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>	<b>100,00</b>	<b>100,00</b>
<b>A Domestic products</b>	<b>0,78</b>	<b>3,01</b>	<b>11,04</b>	<b>10,36</b>	<b>6,69</b>	<b>5,20</b>	<b>10,19</b>	<b>7,79</b>	<b>7,52</b>	<b>28,98</b>	<b>20,52</b>
A.1 Agricultural	3,30	-0,01	-1,57	-8,45	3,58	0,31	-3,27	-0,53	-0,45	6,93	5,96
A.2 Industrial	2,56	1,36	12,54	11,82	2,84	3,19	12,80	3,49	3,46	19,29	11,37
A.3 Electricity	-14,84	22,23	14,86	23,39	21,01	16,49	12,30	32,46	30,63	2,76	3,19
<b>B Petroleum products</b>	<b>-17,19</b>	<b>19,39</b>	<b>19,25</b>	<b>15,37</b>	<b>11,44</b>	<b>10,27</b>	<b>20,77</b>	<b>8,24</b>	<b>8,44</b>	<b>6,63</b>	<b>5,50</b>
<b>C Imported products</b>	<b>-0,56</b>	<b>-0,93</b>	<b>2,77</b>	<b>3,20</b>	<b>-0,97</b>	<b>-1,60</b>	<b>2,81</b>	<b>-0,41</b>	<b>0,53</b>	<b>24,62</b>	<b>31,74</b>
C1 Motor vehicles	-3,38	-4,19	-0,63	-0,68	-0,29	-0,37	-0,55	-0,78	-0,74	5,41	6,48
C2 Other imported products	0,16	-0,13	3,16	3,61	-1,11	-1,84	3,22	-0,33	-0,49	19,21	25,26
<b>D Services</b>	<b>3,69</b>	<b>1,24</b>	<b>1,61</b>	<b>1,93</b>	<b>0,88</b>	<b>0,55</b>	<b>1,63</b>	<b>1,07</b>	<b>1,01</b>	<b>39,77</b>	<b>42,24</b>
<b>HICP</b>	<b>4,4</b>	<b>0,2</b>	<b>3,5</b>	<b>3,2</b>	<b>3,6</b>	<b>2,6</b>	<b>3,4</b>	<b>3,5</b>	<b>3,4</b>		

Source: Cystat.

**TABLE B.3 Weighted contribution to the total percentage change in CPI by economic category (%)**

	2009	2010	2011	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11	Weights	
										2005=100 (for 2008- 2010)	2005=100 (for 2011& 2012)
<b>GENERAL INDEX</b>	<b>0,32</b>	<b>2,43</b>	<b>3,29</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>	<b>100,00</b>	<b>100,00</b>
<b>A Domestic products</b>	<b>0,24</b>	<b>0,93</b>	<b>2,43</b>	<b>2,31</b>	<b>1,60</b>	<b>1,24</b>	<b>2,25</b>	<b>1,83</b>	<b>1,77</b>	<b>28,98</b>	<b>20,52</b>
A.1 Agricultural	0,26	0,00	-0,11	-0,61	0,23	0,02	-0,23	-0,04	-0,03	6,93	5,96
A.2 Industrial	0,49	0,27	1,44	1,35	0,36	0,40	1,46	0,44	0,43	19,29	11,37
A.3 Electricity	-0,52	0,66	0,61	0,98	1,01	0,82	0,50	1,42	1,36	2,76	3,19
<b>B Petroleum products</b>	<b>-1,28</b>	<b>1,19</b>	<b>1,14</b>	<b>0,93</b>	<b>0,79</b>	<b>0,69</b>	<b>1,22</b>	<b>0,56</b>	<b>0,58</b>	<b>6,63</b>	<b>5,50</b>
<b>C Imported products</b>	<b>-0,12</b>	<b>-0,20</b>	<b>0,74</b>	<b>0,86</b>	<b>-0,26</b>	<b>-0,43</b>	<b>0,75</b>	<b>-0,11</b>	<b>-0,14</b>	<b>24,62</b>	<b>31,74</b>
C1 Motor vehicles	-0,15	-0,18	-0,03	-0,03	-0,01	-0,02	-0,03	-0,04	-0,03	5,41	6,48
C2 Other imported products	0,03	-0,02	0,88	0,8	-0,24	-0,41	0,89	-0,09	-0,13	19,21	25,26
<b>D Services</b>	<b>1,48</b>	<b>0,51</b>	<b>0,70</b>	<b>0,83</b>	<b>0,38</b>	<b>0,23</b>	<b>0,71</b>	<b>0,46</b>	<b>0,44</b>	<b>39,77</b>	<b>42,24</b>

Source: Cystat.

**TABLE B.4 Percentage change in the CPI by category of goods and services (%)**

	2009	2010	2011	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11
<b>GENERAL INDEX</b>	<b>0,32</b>	<b>2,43</b>	<b>3,29</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>
Food and non-alcoholic beverages	3,69	0,24	4,07	1,13	2,32	1,23	3,19	1,20	1,21
Alcoholic beverages and tobacco	3,10	1,39	11,13	12,09	2,05	2,72	11,33	2,98	2,96
Clothing and footwear	-4,06	-0,64	-0,49	1,50	-4,47	-6,71	0,08	-2,03	-2,57
Housing, water, electricity and gas	-2,49	7,62	10,43	13,80	9,81	8,36	9,72	12,67	12,21
Furnishings, household equipment and supplies	1,46	0,21	2,46	2,13	-1,06	-0,53	2,27	0,36	0,26
Health	6,49	2,95	2,75	2,86	0,34	0,05	2,79	0,72	0,65
Transport	-6,97	3,64	2,95	1,72	5,53	4,59	3,54	2,97	3,13
Communications	0,01	-0,04	0,45	0,34	1,41	1,42	0,49	0,95	1,00
Recreation and culture	1,92	-0,01	1,79	2,01	0,72	0,69	1,74	0,64	0,64
Education	5,29	4,69	3,18	2,64	2,30	0,80	3,28	2,96	2,74
Restaurants and hotels	5,60	2,04	1,48	1,46	0,65	0,54	1,49	1,25	1,17
Miscellaneous goods and services	2,99	2,12	-1,13	-1,69	-0,15	-0,04	-1,06	0,50	0,45

Source: Cystat.

TABLE B.5 Weighted contribution to the total percentage change in the CPI by category of goods and services (%)

	2009	2010	2011	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11
<b>GENERAL INDEX</b>	<b>0,32</b>	<b>2,43</b>	<b>3,29</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>
Food and non-alcoholic beverages	0,70	0,05	0,71	0,20	0,41	0,22	0,56	0,21	0,21
Alcoholic beverages and tobacco	0,06	0,03	0,22	0,24	0,04	0,06	0,22	0,06	0,06
Clothing and footwear	-0,32	-0,05	-0,03	0,11	-0,29	-0,50	0,01	-0,13	-0,17
Housing, water, electricity and gas	-0,42	1,23	1,35	1,79	1,40	1,20	1,25	1,74	1,67
Furnishings, household equipment and supplies	0,09	0,01	0,17	0,15	-0,07	-0,04	0,15	0,02	0,02
Health	0,34	0,16	0,20	0,20	0,02	0,00	0,20	0,05	0,05
Transport	-1,04	0,49	0,40	0,24	0,76	0,62	0,48	0,41	0,43
Communications	0,00	0,00	0,02	0,01	0,05	0,05	0,02	0,04	0,04
Recreation and culture	0,12	0,00	0,11	0,12	0,04	0,04	0,10	0,04	0,04
Education	0,16	0,15	0,13	0,11	0,10	0,03	0,13	0,12	0,11
Restaurants and hotels	0,44	0,17	0,13	0,13	0,06	0,05	0,13	0,11	0,10
Miscellaneous goods and services	0,20	0,15	-0,10	-0,15	-0,01	0,00	-0,09	0,04	0,04

Source: Cystat.

TABLE B.6 Percentage change in prices of services (%)

	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11
<b>GENERAL INDEX</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>
Rents	1,53	0,21	0,13	0,82	0,28	0,27
Maintenance of houses	-0,24	-0,72	-0,36	0,17	-0,77	-0,73
Transport	1,45	3,75	1,96	-0,44	-0,36	-0,13
Communications	-0,02	1,69	1,69	-0,02	1,32	1,35
Insurance	-1,58	-0,16	-0,16	-1,26	-0,14	-0,13
Public services	4,87	1,95	1,67	4,70	1,69	1,69
Education	2,64	2,30	0,80	3,29	2,96	2,74
Medical care	1,37	0,34	0,28	1,33	0,82	0,74
Restaurants and coffee shops	1,12	0,55	0,58	1,21	1,20	1,14
Personal and household services	1,53	0,53	0,32	1,04	1,53	1,41
<b>Total services</b>	<b>1,93</b>	<b>0,88</b>	<b>0,55</b>	<b>1,63</b>	<b>1,07</b>	<b>1,01</b>

Source: Cystat.

TABLE B.7 Weighted contribution to the percentage change in prices of services (%)

	October 2011/10	September 2012/11	October 2012/11	Jan.-Oct. 2011/10	Jan.-Sep. 2012/11	Jan.-Oct. 2012/11
<b>GENERAL INDEX</b>	<b>3,04</b>	<b>2,52</b>	<b>1,74</b>	<b>3,17</b>	<b>2,75</b>	<b>2,64</b>
Rents	0,05	0,01	0,00	0,03	0,01	0,01
Maintenance of houses	-0,01	-0,02	-0,01	0,00	-0,02	-0,02
Transport	0,04	0,10	0,05	-0,01	-0,01	0,00
Communications	0,00	0,06	0,06	0,00	0,05	0,05
Insurance	-0,03	0,00	0,00	-0,03	0,00	0,00
Public services	0,06	0,02	0,02	0,06	0,02	0,02
Education	0,11	0,10	0,03	0,14	0,12	0,11
Medical care	0,08	0,02	0,02	0,08	0,05	0,04
Restaurants and coffee shops	0,10	0,05	0,05	0,11	0,11	0,10
Personal and household services	0,14	0,05	0,03	0,10	0,14	0,13
<b>Total services</b>	<b>0,83</b>	<b>0,88</b>	<b>0,23</b>	<b>0,71</b>	<b>1,07</b>	<b>0,44</b>

Source: Cystat.

**TABLE B.8 Balance of payments**  
(€ million)

	2010 (prov.)			2011 (prov.)		
	Credit	Debit	Net	Credit	Debit	Net
<b>CURRENT ACCOUNT</b>	<b>10.173,6</b>	<b>11.885,5</b>	<b>-1.711,9</b>	<b>10.296,0</b>	<b>11.144,9</b>	<b>-848,9</b>
<b>GOODS, SERVICES AND INCOME</b>	<b>9.456,5</b>	<b>11.052,3</b>	<b>-1.595,8</b>	<b>9.698,0</b>	<b>10.351,1</b>	<b>-653,1</b>
<b>GOODS AND SERVICES</b>	<b>7.186,5</b>	<b>8.268,1</b>	<b>-1.081,6</b>	<b>7.672,6</b>	<b>8.435,9</b>	<b>-763,3</b>
<b>GOODS</b>	<b>1.137,2</b>	<b>5.801,3</b>	<b>-4.664,1</b>	<b>1.411,0</b>	<b>5.759,7</b>	<b>-4.348,6</b>
<b>SERVICES</b>	<b>6.049,3</b>	<b>2.466,8</b>	<b>3.582,5</b>	<b>6.261,5</b>	<b>2.676,2</b>	<b>3.585,3</b>
Transport	1.446,6	1.028,2	418,4	1.508,8	1.109,5	399,3
Travel	1.613,7	845,4	768,3	1.846,4	931,8	914,6
Communications services	52,8	68,5	-15,7	43,6	90,7	-47,1
Construction services	36,2	12,4	23,8	38,6	14,2	24,4
Insurance services	35,7	32,7	3,0	31,0	36,0	-5,0
Financial services	820,1	167,6	652,6	658,5	111,1	547,4
Computer and information services	63,4	29,6	33,8	48,4	24,1	24,3
Royalties and licence fees	6,3	23,1	-16,8	1,7	24,8	-23,2
Other business services	1.807,6	167,7	1.639,9	1.921,3	218,2	1.703,1
Personal, cultural and recreational services	30,4	25,6	4,9	33,0	52,1	-19,0
Government services, n.i.e.	136,3	66,0	70,4	130,1	63,7	66,5
Services not allocated	0,0	0,0	0,0	0,0	0,0	0,0
<b>INCOME</b>	<b>2.270,0</b>	<b>2.784,2</b>	<b>-514,2</b>	<b>2.025,4</b>	<b>1.915,2</b>	<b>110,2</b>
Compensation of employees	30,4	157,6	-127,2	30,7	225,9	-195,2
Investment income	2.239,6	2.626,6	-387,0	1.994,8	1.689,3	305,4
Direct investment income	237,0	918,7	-681,7	-77,9	44,9	-122,8
Portfolio investment income	930,6	671,1	259,5	826,3	381,2	445,2
Other investment income	1.072,0	1.036,8	35,3	1.246,3	1.263,3	-16,9
<b>CURRENT TRANSFERS</b>	<b>717,1</b>	<b>833,2</b>	<b>-116,1</b>	<b>598,0</b>	<b>793,8</b>	<b>-195,8</b>
General government	143,9	204,4	-60,5	149,8	244,1	-94,3
Other sectors	573,2	628,9	-55,6	448,2	549,7	-101,5
<b>CAPITAL AND FINANCIAL ACCOUNT</b>			<b>1.681,6</b>			<b>1.074,1</b>
Capital account	66,3	31,3	35,0	78,9	32,7	46,2
Financial account			1.646,6			1.027,9
Direct investment			65,4			378,8
Abroad			-512,6			-608,3
In Cyprus			578,0			987,1
Portfolio investment			-1.933,8			5.752,7
Assets			-2.567,3			5.661,0
Liabilities			633,5			91,7
Financial derivatives			-58,2			-261,1
Other investment			3.373,1			-4.885,2
Assets			13.499,7			-2.801,7
Liabilities			-10.126,6			-2.083,5
Official reserve assets			200,0			42,7
<b>NET ERRORS AND OMISSIONS</b>			<b>30,3</b>			<b>-225,2</b>

Source: CBC.

**TABLE B.9 Trade account**  
(€ million unless otherwise indicated)

	2010	2011	% change	2011 Jan.-July	2012 Jan.-July	% change
Imports	6.517,4	6.260,5	-3,9	3.710,9	3.428,9	-7,6
Consumer goods	1.959,1	1.934,9	-1,2	1.130,1	1.094,0	-3,2
Intermediate inputs	1.702,9	1.651,8	-3,0	997,3	836,7	-16,1
Capital goods	554,9	476,8	-14,1	286,1	212,7	-25,7
Transport equipment	873,7	548,7	-37,2	345,8	269,5	-22,1
Fuels and lubricants	1.309,8	1.579,6	20,6	905,6	1.005,1	11,0
Exports	1.136,8	1.406,0	23,7	841,0	855,3	1,7
Trade deficit	5.380,6	4.854,5	-9,8	2.869,9	2.573,5	-10,3

Source: Cystat.

**TABLE B.10 Direct investment in Cyprus by non-residents**  
(€ million)

		Net capital flows										
NACE CODE	Economic activity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
595	AGRICULTURE AND FISHING	0,2	0,2	0,0	0,0	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0
1495	MINING AND QUARRYING	2,8	2,1	2,1	4,7	50,3	19,9	0,4	2,1	*	*	0,0
3995	MANUFACTURING	14,3	5,6	37,8	-9,2	53,2	30,4	79,6	15,4	0,6	8,8	87,4
4195	ELECTRICITY, GAS AND WATER	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	*	*	*
4500	CONSTRUCTION	6,6	-6,3	13,6	29,8	58,9	68,3	47,9	52,2	40,6	10,4	2,6
5295	TRADE AND REPAIRS	210,7	256,1	217,8	101,1	277,3	177,2	262,5	371,3	55,0	685,3	15,5
5500	HOTELS AND RESTAURANTS	2,3	21,3	8,3	1,9	*	*	5,7	10,6	1,5	5,8	-1,0
6495	TRANSPORT AND COMMUNICATION	9,6	-0,2	44,6	119,1	*	*	-21,6	55,6	11,1	-2,2	6,2
6895	FINANCIAL INTERMEDIATION	431,8	444,3	173,6	140,0	122,1	0,8	279,8	316,5	396,7	1.406,8	196,9
7395	REAL ESTATE AND BUSINESS ACTIVITIES	218,3	278,9	523,3	338,1	205,8	356,0	485,2	801,6	453,9	365,4	187,3
9995	OTHER SERVICES	12,6	35,8	67,8	40,0	75,8	269,6	322,4	1,1	3,4	18,9	-11,5
9996	NOT ALLOCATED	0,0	0,0	14,7	24,4	15,3	0,0	0,0	0,0	*	*	*
9999	TOTAL	909,1	1.037,8	1.103,6	789,8	873,0	940,5	1.461,9	1.626,4	965,3	2.499,4	578,0
		Net capital flows										
Geographical / economic zone		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
E1	EUROPEAN COUNTRIES	771,4	873,3	955,1	667,5	764,5	909,4	861,0	1.553,1	733,9	1.977,1	-139,1
D3	EE-25	458,4	455,2	444,1	588,4	604,3	534,0	492,2	972,1	306,6	1.388,8	117,5
V1	EE-27	-	-	-	-	-	-	-	-	298,2	1.400,2	117,1
E4	AFRICA	16,2	20,8	25,3	25,9	*	*	*	-0,9	12,6	21,6	351,0
E7	AMERICA	82,6	82,3	*	30,3	*	-9,4	192,4	5,0	165,4	431,6	344,9
F2	ASIA	39,7	63,0	86,6	*	14,8	34,2	413,3	69,2	48,9	66,1	19,5
F7	OCEANIA	-0,8	-1,7	*	*	-1,2	*	*	0,0	4,4	2,9	1,7
Z8	Extra EU-27 not allocated	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0	0,0
A1	WORLD (ALL ENTITIES)	909,1	1.037,8	1.103,6	789,8	873,0	940,5	1.461,9	1.626,4	965,3	2.499,4	578,0

Source: CBC.

\*In order that the confidentiality of the data is ensured, amounts which relate to a small number of transactions are not presented on their own but are included at a higher level of aggregation.



**TABLE B.11 Direct investment abroad**  
(€ million)

		Net capital flows										
NACE CODE	Economic activity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
595	AGRICULTURE AND FISHING	-2,6	*	-0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
1495	MINING AND QUARRYING	0,0	-0,9	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0
3995	MANUFACTURING	-7,1	-7,1	-4,6	-15,5	-58,9	-39,5	41,3	-2,1	0,0	-1,0	-11,8
4195	ELECTRICITY, GAS AND WATER	*	*	-1,4	0,0	-0,1	0,0	0,0	0,0	*	*	*
4500	CONSTRUCTION	-4,2	*	-69,5	-75,0	*	-196,8	*	-49,4	-99,9	-27,8	-3,3
5295	TRADE AND REPAIRS	-9,1	-7,9	-5,3	-32,6	-37,3	176,9	-30,2	-22,9	-135,1	-37,7	-521,7
5500	HOTELS AND RESTAURANTS	-18,2	-62,9	-16,3	-88,1	*	*	*	-22,4	-18,7	-69,5	-16,6
6495	TRANSPORT AND COMMUNICATION	-22,2	-13,5	-21,3	-18,4	-12,0	3,8	-10,0	-54,5	-0,9	-4,4	-26,6
6895	FINANCIAL INTERMEDIATION	-98,4	-160,9	-112,1	-94,6	-122,4	42,5	-430,9	-348,1	-1.333,5	42,8	60,3
7395	REAL ESTATE AND BUSINESS ACTIVITIES	-18,1	-12,7	-299,6	-132,4	-137,4	-415,8	-180,3	-406,8	-267,3	-176,8	5,3
9995	OTHER SERVICES	*	-3,9	-0,8	-10,7	-0,7	*	114,2	-0,1	*	*	*
9996	NOT ALLOCATED	0,0	0,0	-9,3	-39,5	-8,9	0,0	0,0	0,0	0,0	0,0	0,0
<b>9999</b>	<b>TOTAL</b>	<b>-183,0</b>	<b>-274,3</b>	<b>-540,6</b>	<b>-506,8</b>	<b>-555,4</b>	<b>-442,4</b>	<b>-707,2</b>	<b>-906,3</b>	<b>-1.855,1</b>	<b>-275,6</b>	<b>-512,6</b>

		Net capital flows										
Geographical / economic zone		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
E1	EUROPEAN COUNTRIES	-139,2	-234,8	-441,4	-412,0	-475,6	-301,9	-375,8	-842,1	-1.322,9	-566,3	-277,4
D3	EE-25	-116,1	-223,6	-429,0	-339,0	-359,2	-138,7	-34,7	-516,3	-13,5	-446,8	170,6
V1	EE-27	-	-	-	-	-	-	-	-	-63,1	-518,3	177,8
E4	AFRICA	-7,6	*	-26,4	-35,4	*	*	-213,4	-0,8	7,9	-43,4	-55,3
E7	AMERICA	-2,4	*	*	-16,9	-6,5	*	*	-5,4	-316,7	398,1	-156,0
F2	ASIA	-0,6	-3,9	*	-41,1	*	*	*	-51,8	-172,2	-31,4	-7,6
F7	OCEANIA	-33,2	-32,9	-3,4	-1,4	-11,2	-4,8	-8,6	-5,8	-35,3	-32,6	-15,7
Z8	Extra EU-27 not allocated	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,4	0,0	0,0	0,0
<b>A1</b>	<b>WORLD (ALL ENTITIES)</b>	<b>-183,0</b>	<b>-274,3</b>	<b>-540,6</b>	<b>-506,8</b>	<b>-555,4</b>	<b>-442,4</b>	<b>-707,2</b>	<b>-906,3</b>	<b>-1.855,1</b>	<b>-275,6</b>	<b>-512,6</b>

Source: CBC.

\* In order to ensure confidentiality of the data, amounts which relate to a small number of transactions are not presented on their own but are included at a higher level of aggregation.

TABLE B.12 Annual international investment position 2011 (provisional)  
(€ million)

	ASSETS	LIABILITIES	BALANCE
<b>FINANCIAL ACCOUNT</b>			<b>-12.824,3</b>
<b>Direct Investment</b>			<b>-6.260,7</b>
<b>Abroad</b>			<b>9.711,4</b>
Equity capital and reinvested earnings			7.000,1
MFIs (excluding central banks)			-1.094,6
Other sectors			8.094,7
Other capital			2.711,3
MFIs (excluding central banks)			2,3
Other sectors			2.709,0
<b>In the reporting country</b>			<b>15.972,1</b>
Equity capital and reinvested earnings			14.361,8
MFIs (excluding central banks)			1.893,1
Other sectors			12.468,7
Other capital			1.610,3
MFIs (excluding central banks)			-5,1
Other sectors			1.615,4
<b>Portfolio Investment</b>	<b>25.521,0</b>	<b>5.143,3</b>	<b>20.377,7</b>
<b>Equity securities</b>	<b>1.702,5</b>	<b>792,8</b>	
Monetary authorities	0,0		
General government	0,0		
MFIs (excluding central banks)	3,7	452,4	
Other sectors	1.698,8	340,4	
<b>Debt securities</b>	<b>23.818,5</b>	<b>4.350,5</b>	
<b>Bonds and notes</b>	<b>23.775,2</b>	<b>3.995,5</b>	
Monetary authorities	2.792,4	0,0	
General government	0,0	2.863,7	
MFIs (excluding central banks))	18.278,4	991,8	
Other sectors	2.254,4	140,0	
Money market instruments	43,3	355,0	
Monetary authorities	0,0	0,0	
General government	0,0	297,6	
MFIs (excluding central banks)	32,4	37,4	
Other sectors	10,9	20,0	
<b>Financial Derivatives</b>	<b>825,4</b>	<b>1.083,4</b>	<b>-258,0</b>
Monetary authorities	0,0	0,0	0,0
General government	0,0	0,0	0,0
MFIs (excluding central banks)	288,6	663,2	-374,6
Other sectors	536,8	420,2	116,6
<b>Other Investment</b>	<b>49.746,0</b>	<b>77.361,3</b>	<b>-27.615,3</b>
<b>Monetary authorities</b>	<b>663,5</b>	<b>7.991,6</b>	
Loans/currency and deposits	632,3	7.991,6	
Other assets/liabilities	31,2	0,0	
<b>General government</b>	<b>318,5</b>	<b>1.663,7</b>	
Trade credits	3,6	5,1	
Loans/currency and deposits	143,1	1.655,5	
Other assets/liabilities	171,8	3,1	
<b>MFIs (excluding central banks)</b>	<b>43.600,1</b>	<b>62.676,9</b>	
Loans/currency and deposits	43.467,0	62.631,5	
Other assets/liabilities	133,1	45,4	
<b>Other sectors</b>	<b>5.163,9</b>	<b>5.029,1</b>	
Trade credits	152,9	662,2	
Loans/currency and deposits	5.011,0	4.366,9	
Other assets/liabilities	0,0	0,0	
<b>Reserve assets</b>	<b>931,9</b>		

Source: CBC.  
MFIs: Monetary Financial Institutions.

TABLE B.13 Tourist arrivals and receipts from tourism

Year / Month	Tourist arrivals			Receipts from tourism		
	Number of tourists	% change		€ million	% change	
		Previous year	Cumulative period		Previous year	Cumulative period
2008 January	50.658	-2,3	-2,3	35,3	4,9	4,9
February	70.140	11,2	5,1	40,6	5,5	5,2
March	108.164	3,7	4,4	67,3	-1,7	1,8
April	182.091	-3,8	0,6	107,8	-12,8	-5,0
May	271.599	-0,5	0,1	191,3	-6,5	-5,7
June	307.237	8,8	2,7	229,6	10,7	-0,7
July	342.554	-2,8	1,2	272,9	-5,0	-2,0
August	328.100	-3,7	0,2	278,0	-9,1	-3,7
September	305.348	-3,2	-0,3	247,4	-5,9	-4,1
October	267.866	-2,6	-0,6	198,6	-3,7	-4,0
November	97.900	3,3	-0,5	72,4	6,8	-3,6
December	72.127	-2,2	-0,5	51,6	0,5	-3,5
2009 January	47.066	-7,1	-7,1	31,2	-11,6	-11,6
February	56.626	-19,3	-14,2	36,3	-10,7	-11,1
March	90.434	-16,4	-15,2	57,4	-14,7	-12,8
April	181.395	-0,4	-8,6	107,4	-0,3	-7,5
May	246.546	-9,2	-8,9	158,1	-17,4	-11,7
June	260.931	-15,1	-10,8	175,4	-23,6	-15,8
July	304.126	-11,2	-10,9	232,5	-14,8	-15,5
August	291.583	-11,1	-11,0	234,8	-15,5	-15,5
September	276.178	-9,6	-10,7	200,2	-19,1	-16,1
October	230.431	-14,0	-11,1	156,3	-21,3	-16,7
November	89.670	-8,4	-11,0	61,0	-15,7	-16,7
December	66.201	-8,2	-10,9	42,7	-17,2	-16,7
2010 January	45.952	-2,4	-2,4	29,7	-4,8	-4,8
February	55.250	-2,4	-2,4	33,9	-6,6	-5,8
March	103.803	14,8	5,6	65,6	14,3	3,4
April	139.658	-23,0	-8,2	89,0	-17,1	-6,1
May	258.014	4,7	-3,1	164,8	4,2	-1,9
June	275.280	5,5	-0,6	195,3	11,3	2,2
July	306.106	0,7	-0,3	231,1	-0,6	1,4
August	304.264	4,3	0,7	241,1	2,7	1,7
September	289.126	4,7	1,3	220,5	10,1	3,1
October	241.698	4,9	1,7	175,5	12,3	4,1
November	92.643	3,3	1,8	62,4	2,3	4,0
December	61.199	-7,6	1,5	40,9	-4,2	3,8
2011 January	44.442	-3,3	-3,3	29,8	0,3	0,3
February	62.294	12,7	5,5	36,9	8,8	4,9
March	98.964	-4,7	0,3	66,4	1,2	3,0
April	199.762	43,0	17,6	136,7	53,6	23,6
May	267.487	3,7	11,7	187,1	13,5	19,3
June	300.817	9,3	10,9	220,0	12,6	17,0
July	359.104	17,3	12,6	274,4	18,7	17,5
August	337.013	10,8	12,2	267,0	10,7	16,0
September	304.260	5,2	11,1	235,8	6,9	14,4
October	259.863	7,5	10,6	188,8	7,6	13,6
November	92.878	0,3	10,2	64,8	3,8	13,2
December	65.339	6,8	10,1	41,6	1,7	12,9
2012 January	47.610	7,1	7,1	30,0	0,7	0,7
February	55.420	-11,0	-3,5	32,3	-12,5	-6,6
March	94.300	-4,7	-4,1	62,5	-5,9	-6,2
April	189.648	-5,1	-4,1	114,6	-16,2	-11,3
May	276.781	3,5	-1,1	214,3	14,5	-0,7
June	329.977	9,7	2,2	254,5	15,7	4,6
July	371.453	3,4	2,6	301,5	9,9	6,1
August	363.573	7,9	3,6	312,1	16,9	8,5
September	335.352	10,2	4,6	289,9	22,9	10,8
October	261.997	0,8	4,1	n/a	n/a	n/a

Source: Cystat.

TABLE B.14 Gross domestic product by category of expenditure at constant 2005 prices, chain linking method (€ million)

Year / Quarter	Gross domestic product	General government consumption	Private consumption	Gross capital formation	Exports of goods and services	Imports of goods and services
1997 Q1	2.336,6	394,0	1.565,8	611,4	851,6	1.086,1
1997 Q2	2.514,8	389,9	1.539,8	651,4	1.218,8	1.285,2
1997 Q3	2.556,5	390,7	1.538,3	357,7	1.530,8	1.261,1
1997 Q4	2.491,1	671,9	1.632,1	203,0	1.175,4	1.191,3
1998 Q1	2.417,1	437,7	1.682,4	566,5	900,9	1.170,4
1998 Q2	2.655,9	427,2	1.590,7	579,9	1.264,4	1.206,4
1998 Q3	2.706,7	463,8	1.619,4	355,2	1.531,2	1.262,8
1998 Q4	2.612,3	583,0	1.735,8	401,4	1.168,3	1.276,2
1999 Q1	2.531,0	464,5	1.740,0	526,7	905,5	1.105,7
1999 Q2	2.798,9	479,1	1.634,5	635,1	1.356,8	1.306,6
1999 Q3	2.814,7	483,8	1.631,7	257,1	1.727,2	1.285,1
1999 Q4	2.748,5	648,9	1.791,0	379,8	1.309,9	1.381,1
2000 Q1	2.686,4	427,6	1.857,8	599,5	1.043,4	1.241,9
2000 Q2	2.952,0	434,0	1.782,4	689,1	1.516,0	1.469,4
2000 Q3	2.956,3	481,1	1.739,3	302,3	1.877,9	1.444,3
2000 Q4	2.844,6	628,8	1.919,2	437,3	1.419,8	1.560,5
2001 Q1	2.787,3	465,7	2.038,9	544,5	1.105,6	1.367,4
2001 Q2	3.049,7	497,9	1.848,7	630,5	1.680,2	1.607,6
2001 Q3	3.116,1	529,1	1.678,0	519,4	1.992,4	1.602,8
2001 Q4	2.946,5	692,3	1.998,5	258,1	1.438,0	1.440,4
2002 Q1	2.851,1	517,6	1.995,2	688,2	1.016,3	1.366,2
2002 Q2	3.161,8	538,1	1.862,4	743,0	1.588,3	1.570,0
2002 Q3	3.118,3	568,1	1.801,9	420,4	1.872,0	1.544,1
2002 Q4	3.021,7	704,4	2.032,7	376,4	1.436,6	1.528,4
2003 Q1	2.907,7	546,0	2.016,0	787,2	930,0	1.371,4
2003 Q2	3.173,2	557,1	1.934,6	742,8	1.406,0	1.467,3
2003 Q3	3.172,9	567,0	1.833,4	377,7	1.964,4	1.569,6
2003 Q4	3.125,8	797,9	2.093,5	232,8	1.586,7	1.585,1
2004 Q1	3.020,5	512,3	2.126,6	649,7	1.221,0	1.489,2
2004 Q2	3.294,5	559,2	2.014,6	769,7	1.613,7	1.662,7
2004 Q3	3.309,3	569,3	2.021,9	456,4	1.919,6	1.657,8
2004 Q4	3.279,6	691,0	2.228,6	703,6	1.456,7	1.800,3
2005 Q1	3.163,0	513,0	2.219,5	790,3	1.251,2	1.611,1
2005 Q2	3.395,1	559,7	2.123,7	610,4	1.708,0	1.606,6
2005 Q3	3.438,9	527,1	2.049,2	544,3	2.049,1	1.730,7
2005 Q4	3.405,0	810,7	2.291,4	702,4	1.507,7	1.907,2
2006 Q1	3.297,2	569,5	2.308,5	807,5	1.369,5	1.757,9
2006 Q2	3.552,7	621,1	2.221,8	722,9	1.800,8	1.814,0
2006 Q3	3.564,6	599,0	2.154,5	460,2	2.200,4	1.849,4
2006 Q4	3.541,1	790,6	2.402,4	869,3	1.377,6	1.898,8
2007 Q1	3.446,7	583,6	2.482,7	897,9	1.353,5	1.871,0
2007 Q2	3.717,1	576,7	2.400,8	1.014,2	1.745,9	2.020,5
2007 Q3	3.759,0	618,5	2.378,1	548,3	2.380,6	2.166,4
2007 Q4	3.743,3	833,7	2.754,8	712,5	1.683,6	2.241,3
2008 Q1	3.617,5	577,4	2.715,9	1.081,8	1.417,0	2.174,6
2008 Q2	3.868,5	598,1	2.640,6	1.078,2	1.750,8	2.199,2
2008 Q3	3.888,3	741,4	2.651,4	784,7	2.236,4	2.525,6
2008 Q4	3.818,1	853,9	2.790,5	558,5	1.722,8	2.107,6
2009 Q1	3.640,3	627,2	2.540,0	855,1	1.440,9	1.822,8
2009 Q2	3.785,7	621,6	2.434,3	898,5	1.585,4	1.754,2
2009 Q3	3.782,2	650,1	2.418,0	864,3	1.796,0	1.946,1
2009 Q4	3.702,1	1.061,2	2.591,5	316,3	1.543,7	1.810,7
2010 Q1	3.622,5	665,4	2.494,2	884,2	1.392,3	1.813,6
2010 Q2	3.812,6	656,6	2.450,9	934,0	1.618,7	1.847,7
2010 Q3	3.861,5	660,8	2.459,9	932,0	1.789,3	1.980,6
2010 Q4	3.784,4	1.002,2	2.704,4	329,1	1.799,7	2.051,0
2011 Q1	3.679,1	623,7	2.596,3	907,4	1.398,8	1.847,1
2011 Q2	3.868,6	634,0	2.434,4	892,0	1.743,0	1.834,8
2011 Q3	3.851,1	668,7	2.429,1	781,3	1.890,0	1.918,0
2011 Q4	3.754,1	919,6	2.665,6	72,6	1.807,3	1.711,0
2012 Q1	3.625,4	624,5	2.582,3	634,8	1.369,4	1.585,6
2012 Q2	3.779,2	624,5	2.377,7	659,9	1.736,3	1.619,3

Source: Cystat.

**TABLE B.15 Gross domestic product by category of expenditure at current prices**  
(€ million)

Year / Quarter	Gross domestic product	General government consumption	Private consumption	Gross capital formation	Exports of goods and services	Imports of goods and services
1997 Q1	1.780,4	277,2	1.236,5	484,1	716,1	933,5
Q2	1.963,3	275,8	1.252,4	518,9	1.027,3	1.111,1
Q3	2.005,5	281,3	1.261,9	262,0	1.299,7	1.099,3
Q4	1.984,4	484,7	1.332,4	202,1	1.005,1	1.040,0
1998 Q1	1.892,0	318,4	1.349,3	457,9	780,7	1.014,3
Q2	2.132,9	311,5	1.319,8	467,6	1.090,1	1.056,1
Q3	2.199,3	339,3	1.356,6	282,4	1.322,3	1.101,2
Q4	2.143,0	427,2	1.444,4	373,1	1.011,8	1.113,5
1999 Q1	2.052,6	346,3	1.434,6	449,4	790,	0 967,6
Q2	2.311,8	360,9	1.387,3	526,6	1.193,6	1.156,7
Q3	2.336,1	364,5	1.399,7	193,1	1.530,7	1.151,9
Q4	2.306,8	497,8	1.535,1	353,9	1.175,6	1.255,6
2000 Q1	2.242,6	333,8	1.585,7	514,0	958,0	1.149,0
Q2	2.509,7	342,7	1.561,1	574,9	1.412,7	1.381,6
Q3	2.525,7	389,3	1.511,6	236,5	1.757,5	1.369,2
Q4	2.478,2	512,3	1.692,3	415,5	1.346,5	1.488,5
2001 Q1	2.408,7	386,8	1.787,3	467,8	1.062,2	1.295,4
Q2	2.723,3	414,3	1.666,2	559,0	1.615,7	1.531,9
Q3	2.766,8	439,1	1.509,8	442,4	1.901,5	1.525,9
Q4	2.649,1	573,4	1.822,6	256,3	1.374,8	1.378,0
2002 Q1	2.516,5	435,5	1.787,4	627,1	972,0	1.305,4
Q2	2.803,4	453,0	1.706,8	651,0	1.502,8	1.510,3
Q3	2.797,0	485,2	1.663,2	362,5	1.760,7	1.474,6
Q4	2.775,4	611,0	1.897,8	379,3	1.342,0	1.454,7
2003 Q1	2.679,7	496,7	1.899,0	709,5	871,1	1.296,6
Q2	2.989,2	514,6	1.841,0	709,1	1.310,8	1.386,4
Q3	2.983,2	535,8	1.720,0	366,3	1.844,3	1.483,1
Q4	2.978,6	760,3	2.023,7	195,8	1.503,9	1.505,0
2004 Q1	2.880,9	488,2	2.024,0	606,9	1.169,3	1.407,5
Q2	3.169,8	534,4	1.933,9	725,3	1.564,5	1.588,3
Q3	3.219,8	546,9	1.943,3	449,0	1.882,1	1.601,5
Q4	3.251,9	670,6	2.211,0	694,9	1.438,2	1.762,8
2005 Q1	3.117,6	510,7	2.176,3	765,0	1.242,9	1.577,3
Q2	3.374,2	559,3	2.117,1	599,0	1.702,8	1.604,0
Q3	3.441,2	526,8	2.047,0	552,4	2.047,3	1.732,3
Q4	3.469,1	813,6	2.341,1	733,3	1.522,9	1.941,8
2006 Q1	3.349,9	585,9	2.322,6	827,0	1.395,0	1.780,6
Q2	3.659,5	637,2	2.287,9	749,1	1.845,5	1.860,2
Q3	3.696,4	618,0	2.230,7	471,3	2.265,7	1.889,4
Q4	3.726,6	815,5	2.501,5	920,8	1.437,6	1.948,9
2007 Q1	3.633,0	614,4	2.552,5	947,4	1.425,8	1.907,1
Q2	3.995,5	609,3	2.550,3	1.078,4	1.850,3	2.092,8
Q3	4.089,2	655,7	2.556,4	581,2	2.540,9	2.245,0
Q4	4.112,1	883,8	2.977,9	811,1	1.815,9	2.376,5
2008 Q1	4.018,9	638,2	2.919,9	1.211,6	1.568,6	2.319,4
Q2	4.373,1	660,5	2.942,7	1.232,4	1.936,6	2.399,1
Q3	4.412,1	831,2	2.993,1	867,7	2.475,6	2.755,6
Q4	4.352,9	956,8	3.120,2	690,7	1.882,1	2.296,9
2009 Q1	4.064,6	726,5	2.764,6	965,4	1.557,6	1.949,5
Q2	4.288,3	724,5	2.745,9	990,4	1.721,9	1.894,4
Q3	4.257,5	744,0	2.720,2	924,2	1.937,9	2.068,8
Q4	4.242,9	1.197,9	2.923,2	382,1	1.665,6	1.925,9
2010 Q1	4.120,5	770,4	2.773,1	987,4	1.529,3	1.939,6
Q2	4.369,1	764,4	2.801,8	1.050,1	1.789,5	2.036,7
Q3	4.438,0	778,0	2.848,6	1.018,7	1.952,3	2.159,6
Q4	4.405,9	1.169,6	3.103,9	351,4	2.032,1	2.251,1
2011 Q1	4.240,9	748,6	2.956,0	1.004,9	1.589,6	2.058,2
Q2	4.543,8	764,6	2.881,6	1.030,9	1.951,3	2.084,6
Q3	4.528,3	817,7	2.898,0	878,3	2.094,4	2.160,1
Q4	4.448,6	1.121,2	3.163,6	49,0	2.063,6	1.948,8
2012 Q1	4.223,1	765,8	3.028,2	727,3	1.577,5	1.875,6
Q2	4.526,0	768,1	2.921,7	782,4	1.982,5	1.928,7

Source: Cystat.

TABLE B.16 Turnover volume index of retail trade

Year / Month	Volume	6-month moving average	% change	
			previous year	6-month moving average
2009 January	111,2	123,9	2,7	1,3
February	102,9	120,9	-5,2	0,2
March	103,4	117,4	-5,8	-2,0
April	115,8	116,6	-2,1	-2,8
May	114,2	116,9	-7,0	-3,0
June	117,7	110,9	-2,9	-3,4
July	132,7	114,5	-2,6	-4,2
August	116,6	116,7	-3,5	-3,9
September	116,7	119,0	-6,2	-4,0
October	116,4	119,1	-3,6	-4,3
November	108,3	118,1	-4,0	-3,8
December	148,7	123,2	-3,2	-3,8
2010 January	104,2	118,5	-6,3	-4,4
February	98,4	115,5	-4,4	-4,5
March	115,7	115,3	11,9	-1,8
April	107,8	113,9	-6,9	-2,4
May	113,4	114,7	-0,7	-1,8
June	118,6	109,7	0,8	-1,1
July	134,8	114,8	1,6	0,3
August	118,3	118,1	1,5	1,2
September	116,7	118,3	0,0	-0,6
October	114,0	119,3	-2,1	0,2
November	112,6	119,2	4,0	0,9
December	154,2	125,1	3,7	1,5
2011 January	106,3	120,4	2,0	1,6
February	100,6	117,4	2,2	1,7
March	107,9	115,9	-6,7	0,6
April	114,4	116,0	6,1	1,9
May	113,5	116,2	0,1	1,3
June	119,7	110,4	0,9	0,7
July	130,5	114,4	-3,2	-0,3
August	119,4	117,6	0,9	-0,5
September	118,0	119,3	1,1	0,8
October	113,5	119,1	-0,4	-0,2
November	109,7	118,5	-2,6	-0,6
December	144,0	122,5	-6,6	-2,1
2012 January**	105,3	118,3	-0,9	-1,7
February**	101,4	115,3	0,8	-1,8
March**	104,5	113,1	-3,2	-2,5
April **	106,2	111,9	-7,2	-3,6
May**	109,4	111,8	-3,6	-3,7
June**	117,5	107,4	-1,8	-2,7
July**	122,4	110,2	-6,2	-3,7
August*	116,4	112,7	-2,5	-4,1
Percentage change by category	August 2011/2010	August 2012/2011	Jan.-Aug. 2011/2010	Jan.-Aug. 2012/2011
General index	0,9	-2,5	0,1	-3,2
General index excluding automotive fuel	1,0	-2,3	0,4	-3,2
Non-specialised stores with food, beverages or tobacco predominating	12,0	6,3	8,2	5,8
Other retail sale in non-specialised stores	-5,1	-12,1	-6,0	-10,1
Food, beverages and tobacco in specialised stores	3,5	8,3	-3,9	3,7
Food products	10,8	6,4	6,4	5,5
Non food products (except automotive fuel)	-4,4	-7,6	-2,9	-8,4
Textiles, clothing and footwear	-4,0	2,2	-2,5	-4,4
Electrical goods and furniture	-7,0	-16,0	-2,8	-13,1
Computer equipment, books and other	-1,4	-4,2	0,4	-6,3
Automotive fuel in specialised stores	0,3	-5,1	-2,2	-3,5

Source: Cystat.

\* Provisional

\*\* Revised data

TABLE B.17 Construction indicators

Year / Month	Sales of cement (volume)			Building permits authorised (volume)		
	Total (m.ton)	% change		Area (sq.met)	% change	
		Previous year	6-month moving average		Previous year	6-month moving average
2009 January	120.871	-22,81	-3,79	278.876	11,63	17,57
February	122.367	-29,47	-7,78	273.892	-8,45	15,20
March	123.823	-29,63	-14,79	255.578	-13,64	9,86
April	117.392	-28,65	-20,00	234.397	-20,87	3,03
May	132.204	-26,15	-23,44	254.844	-13,09	-5,44
June	137.449	-20,39	-26,23	359.744	15,02	-5,14
July	151.742	-24,48	-26,40	295.814	-10,18	-8,35
August	48.329	-30,90	-26,18	176.594	-6,29	-7,55
September	126.657	-24,63	-25,27	276.027	-18,61	-9,71
October	128.881	-27,94	-25,19	203.278	-45,74	-16,01
November	122.260	-25,73	-25,10	263.849	-31,01	-18,59
December	107.190	-21,00	-25,38	263.566	-19,63	-18,84
2010 January	84.111	-30,41	-26,32	228.827	-17,95	-22,60
February	99.354	-18,81	-24,93	335.783	22,60	-24,22
March	135.848	9,71	-19,92	317.003	24,03	-14,51
April	99.749	-15,03	-17,36	244.383	4,26	-9,22
May	120.199	-9,08	-14,07	270.480	6,14	1,45
June	130.944	-4,73	-11,13	254.982	-29,12	-0,96
July	139.952	-7,77	-7,51	241.035	-18,52	-3,11
August	49.809	3,06	-4,84	145.686	-17,50	-2,24
September	118.607	-6,36	-7,64	209.911	-23,95	-9,15
October	115.198	-10,62	-6,97	236.479	16,33	-10,98
November	133.159	8,91	-3,87	216.510	-17,94	-13,94
December	108.128	0,88	-2,95	216.826	-17,73	-17,26
2011 January	90.251	7,30	-0,37	167.251	-26,91	-16,06
February	98.610	-0,75	-0,67	204.698	-39,04	-20,06
March	117.715	-13,35	-2,15	266.707	-15,87	-19,59
April	87.190	-12,59	-2,08	174.749	-28,49	-20,11
May	119.817	-0,32	-3,83	180.822	-33,15	-25,80
June	111.297	-15,00	-6,76	173.957	-31,78	-27,68
July	112.965	-19,28	-10,81	186.807	-22,50	-28,40
August	45.313	-9,03	-12,15	130.118	-10,69	-27,16
September	99.251	-16,32	-12,65	219.492	4,56	-20,84
October	96.675	-16,08	-13,25	180.757	-23,56	-22,22
November	92.959	-30,19	-18,79	153.763	-28,98	-22,18
December	80.395	-25,65	-20,65	213.916	-1,34	-17,26
2012 January	60.071	-33,44	-22,84	127.078	-24,02	-15,47
February	65.372	-33,71	-25,49	141.435	-30,91	-16,52
March	58.865	-49,99	-31,48	148.715	-44,24	-21,95
April	68.304	-21,66	-32,92	106.275	-39,18	-27,73
May	83.946	-29,94	-32,93	134.085	-25,85	-28,18
June	72.496	-34,86	-34,54	124.830	-28,24	-28,06
July	84.914	-24,83	-33,00	142.702	-23,61	-31,73
August	34.748	-23,32	-32,14	97.744	-24,88	-32,03
September	63.198	-36,33	-29,21	n/a	n/a	n/a
October	73.426	-24,05	-29,49	n/a	n/a	n/a

Source: Cystat.

TABLE B.18 Volume index of manufacturing production

Year / Month	Index		% change		Cumulative period
	Monthly	Cumulative	Previous year	6-month moving average	
2009 January	88,30	88,30	-9,06	-0,15	-9,06
February	91,80	90,05	-9,02	-1,05	-9,04
March	95,30	91,80	-10,68	-3,86	-9,62
April	94,20	92,40	-12,62	-6,47	-10,40
May	101,60	94,24	-14,48	-8,92	-11,31
June	105,50	96,12	-9,98	-11,07	-11,07
July	115,40	98,87	-9,70	-11,10	-10,85
August	63,20	94,41	-11,24	-11,44	-10,88
September	102,40	95,30	-10,80	-11,45	-10,87
October	99,10	95,68	-13,53	-11,62	-11,15
November	100,30	96,10	-10,21	-10,86	-11,06
December	98,90	96,33	-12,56	-11,31	-11,19
2010 January	80,50	80,50	-8,83	-11,29	-8,83
February	83,80	82,15	-8,71	-10,93	-8,77
March	100,50	88,27	5,46	-8,41	-3,85
April	87,60	88,10	-7,01	-7,20	-4,65
May	99,40	90,36	-2,17	-5,75	-4,12
June	104,40	92,70	-1,04	-3,55	-3,55
July	108,30	94,93	-6,15	-3,28	-3,99
August	63,30	90,98	0,16	-2,03	-3,64
September	100,30	92,01	-2,05	-3,26	-3,45
October	93,30	92,14	-5,85	-3,10	-3,70
November	98,30	92,70	-1,99	-3,07	-3,54
December	98,40	93,18	-0,51	-3,00	-3,28
2011 January	74,80	74,80	-7,08	-2,94	-6,83
February	82,90	78,85	-1,07	-3,01	-4,02
March	91,80	83,17	-8,66	-4,19	-5,78
April	82,50	83,00	-5,82	-4,15	-5,79
May	97,60	85,92	-1,81	-4,12	-4,91
June	96,60	87,70	-7,47	-5,39	-5,39
July	93,90	88,59	-13,30	-6,63	-6,68
August	60,40	85,06	-4,58	-7,22	-6,50
September	90,90	85,71	-9,37	-7,35	-6,85
October	85,40	85,68	-8,47	-7,77	-7,01
November	86,40	85,75	-12,11	-9,56	-7,50
December	84,60	85,65	-14,02	-10,73	-8,08
2012 January	67,60	67,60	-9,63	-10,05	-9,63
February	76,50	72,05	-7,72	-10,33	-8,62
March	77,80	73,97	-15,25	-11,34	-11,06
April	75,40	74,33	-8,61	-11,42	-10,45
May	88,20	77,10	-9,63	-10,97	-10,27
June	84,30	78,30	-12,73	-10,72	-10,72
July *	86,70	79,50	-7,67	-10,34	-10,26
August	57,90	76,80	-4,14	-10,04	-9,71
Percentage change by category					
	August 2011/2010	August 2012/2011	Jan.-Aug. 2011/2010	Jan.-Aug. 2012/2011	
<b>General index</b>	<b>-4,6</b>	<b>-4,1</b>	<b>-6,5</b>	<b>-9,7</b>	
Manufacture of food products, beverages and tobacco products	-4,2	-1,9	-5,9	-4,7	
Manufacture of textiles, wearing apparel and leather products	-4,6	-13,8	3,8	-20,7	
Manufacture of wood and products of wood and cork, except furniture	-22,2	-11,3	-22,4	-13,2	
Manufacture of paper products and printing	9,5	11,6	7,7	-7,1	
Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations	-4,5	15,0	3,2	7,5	
Manufacture of rubber and plastic products	-11,8	-26,1	-10,7	-18,1	
Manufacture of other non-metallic mineral products	-31,0	-7,1	-11,5	-23,9	
Manufacture of basic metals and fabricated metal products	6,5	-9,2	-4,4	-13,7	
Manufacture of electronic and optical products and electrical equipment	49,7	-64,9	-10,5	-39,7	
Manufacture of machinery	-5,8	-26,1	-3,6	-17,7	
Manufacture of motor vehicles and other transport equipment	53,9	-53,1	-15,1	-13,7	
Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment	-5,9	-21,4	-18,4	-10,4	

\* Revised data  
Source: Cystat.



TABLE B.19 Labour market indicators based on the Labour Force Survey (LFS)

	2010		2011				2012	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Labour force</b>	<b>422.590</b>	<b>424.853</b>	<b>431.975</b>	<b>433.522</b>	<b>429.257</b>	<b>433.907</b>	<b>434.236</b>	<b>439.954</b>
<b>Employed</b>	<b>398.053</b>	<b>401.678</b>	<b>399.639</b>	<b>402.158</b>	<b>395.938</b>	<b>395.122</b>	<b>386.069</b>	<b>390.213</b>
By type of employment:								
Full time	361.854	361.220	356.357	361.575	357.935	354.355	343.664	349.443
Part time	36.198	40.458	43.282	40.582	38.003	40.767	42.405	40.769
By sector of employment:								
Primary sector	15.280	15.541	17.009	16.051	18.486	13.073	11.420	10.905
Secondary sector	80.833	84.385	83.767	83.451	83.589	82.067	80.012	78.366
Tertiary sector	301.940	301.752	298.863	302.656	297.503	299.982	294.637	300.942
Employees	324.691	329.942	325.751	329.526	325.479	326.224	319.173	326.697
<b>Unemployed</b>	<b>24.537</b>	<b>23.174</b>	<b>32.336</b>	<b>31.365</b>	<b>33.319</b>	<b>38.785</b>	<b>48.166</b>	<b>49.742</b>
By unemployment duration:								
Less than 12 months	19.137	17.219	26.775	26.073	25.462	28.894	36.363	35.593
12 months and above	5.399	5.955	5.562	5.293	7.856	9.531	11.803	14.149
<b>Activity rate (%)</b>	<b>64,3</b>	<b>64,1</b>	<b>64,4</b>	<b>64,1</b>	<b>63,2</b>	<b>63,2</b>	<b>63,2</b>	<b>63,3</b>
Male	72,1	71,2	71,4	71,1	70,4	70,0	70,2	70,5
Female	57,2	57,7	58,1	57,9	56,7	57,1	56,9	56,9
<b>Employment rate (%)</b>	<b>60,5</b>	<b>60,6</b>	<b>59,6</b>	<b>59,5</b>	<b>58,3</b>	<b>57,6</b>	<b>56,2</b>	<b>56,2</b>
Male	68,0	67,5	66,1	65,8	65,0	63,2	61,7	62,0
Female	53,9	54,4	53,7	53,8	52,2	52,5	51,3	51,0
<b>Unemployment rate (%)</b>	<b>5,8</b>	<b>5,5</b>	<b>7,5</b>	<b>7,2</b>	<b>7,8</b>	<b>8,9</b>	<b>11,1</b>	<b>11,3</b>
Male	5,8	5,2	7,4	7,5	7,6	9,8	12,2	12,1
Female	5,8	5,7	7,6	7,0	7,9	8,0	9,8	10,4

Source: Cystat.



## Technical Notes

## Section A

### (A) Domestic Monetary Aggregates

All monetary aggregates' data exclude the CBC.

On 1 July 2008, a new definition of residents of Cyprus entered into force based on the Statistical Purposes Directive, 2008. As a result, MFIs reclassified a large number of organisations or customers' businesses without a physical presence in Cyprus, known as 'brass plates', from non-residents to residents. The effect of this change is excluded from the monetary and financial statistics series presented in Section A of this publication, which reports local data or residents excluding organisations and businesses without a physical presence in Cyprus. For purposes of normalisation and comparability of monetary time series, the data have been further processed by the Economic Research Department of the CBC.

The calculation of annual percentage changes is based on the methodology used by the ECB. More specifically, the growth of monetary aggregates is calculated based on the monthly changes adjusted for reclassifications and revaluations, so as to reflect changes due to net transactions.

The above methodology has been adopted since the December 2009 edition of the Economic Bulletin. In previous editions of the Bulletin, the growth rate of monetary variables was calculated as the annual percentage change of outstanding balances at the end of the period. Details of the methodology can be found in Monetary and Financial Statistics, published by the CBC's Statistics Department, which is available on the CBC website.

Monetary data are not adjusted for exchange rate fluctuations.

### (B) Balance of Payments

The current statistical data collection and compilation system is based on the IMF methodology ("BPM5"), which has been adopted by the EU and complies with additional requirements and level of detail specified by both Eurostat and the ECB.

As in the case of monetary data, the new residency definition was adopted on 1 July 2008 (definition of the term "resident of Cyprus" used in the Statistical Purposes Directive, 2008). As a result, a number of organisations and enterprises of any legal form incorporated or registered in Cyprus without maintaining a physical presence, are now considered as "residents of Cyprus".

The Statistics Department of the CBC also publishes data adjusted for transactions of entities without a physical presence in Cyprus (i.e. these entities are not considered "residents of Cyprus" in these figures). These data are used in the Economic Bulletin for the analysis of balance of payments.

More details on the collection and compilation of balance of payments data are available on the CBC website.



