CENTRAL BANK OF CYPRUS
EUROSYSTEM

# ECONOMIC BULLETIN

JUNE 2014

NICOSIA - CYPRUS

1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

Published by the:
**ECONOMIC RESEARCH DEPARTMENT**



| | |
|---|---|
| **Address** | 80 Kennedy Ave<br>1076 Nicosia<br>Cyprus |
| **Postal Address** | P.O. Box 25529<br>1395 Nicosia<br>Cyprus |
| **Telephone** | +357 22714100 |
| **Website** | http://www.centralbank.gov.cy |

| | |
|---|---|
| **Design and Interactive pdf:** | FBRH CONSULTANTS Ltd,<br>www.fbrh.eu |



**ISSN (online) 1986 -1060**

CENTRAL BANK OF CYPRUS
EUROSYSTEM

# ECONOMIC BULLETIN

JUNE 2014

NICOSIA - CYPRUS

## CONTENTS

# TABLES AND CHARTS

## TABLES



## CHARTS

## TABLES AND CHARTS



## BOXES

## ABBREVIATIONS

| | |
|---|---|
| ABS | Asset Backed Securities |
| BLS | Bank Lending Survey |
| BoE | Bank of England |
| CBC | Central Bank of Cyprus |
| COLA | Cost of Living Allowance |
| CPI | Consumer Price Index |
| CTO | Cyprus Tourism Organisation |
| Cystat | Statistical Service of the Republic of Cyprus |
| EC | European Commission |
| ECB | European Central Bank |
| EDP | Excessive Deficit Procedure |
| EER | Effective Exchange Rate |
| EEZ | Exclusive Economic Zone |
| EONIA | Euro Overnight Index Average |
| ESA 95 | European System of Accounts 1995 |
| ESI | Economic Sentiment Indicator |
| EU | European Union |
| EURIBOR | Euro Interbank Offered Rate |
| Eurostat | Statistical Office of the European Union |
| FED | Federal Reserve |
| GDP | Gross Domestic Product |
| HICP | Harmonised Index of Consumer Prices |
| IEA | International Energy Agency |
| IMF | International Monetary Fund |
| IRD | Inland Revenue Department |
| LFS | Labour Force Survey |
| LTROs | Long-Term Refinancing Operations |
| MFIs | Monetary Financial Institutions |
| MoU | Memorandum of Understanding |
| MPC | Monetary Policy Committee |
| NACE Rev. 1.1 Rev. 2 | Nomenclature statistique des Activités économiques dans la Communauté Européenne (Statistical classification of economic activities in the European Community) |
| NEER | Nominal Effective Exchange Rate |
| NFCs | Non-Financial Corporations |
| OIS | Overnight Index Swaps |
| QE | Quantitative Easing |
| REER | Real Effective Exchange Rate |
| SDW | Statistical Data Warehouse |
| UK | United Kingdom |
| US | United States of America |
| VAT | Value Added Tax |

## Introduction

The fourth assessment of the economic adjustment programme which is based on the Memorandum of Understanding (MoU) signed in March 2013 with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), was carried out successfully last May by the Troika. Within the framework of this programme, a number of necessary consolidation measures have already been implemented, aimed at addressing the challenges facing the economy and the banking system. The programme is updated on a quarterly basis and has already begun to create the conditions for a return to sustainable growth, full employment, and a healthy banking system.

Although the progress achieved under the MoU has so far been very satisfactory, it should be emphasised that the continuing efforts to restore the credibility of the economy as a whole and the banking sector in particular does not allow any room for complacency. More specifically, the restoration of full confidence in the banking system requires diligent technocratic management. Ensuring satisfactory liquidity in the economy, management of the non-performing loans and the strengthening of corporate governance of banks are priority objectives and are necessary for the full restoration of the banking sector's soundness. The progress made in these areas during 2013 and the first months of 2014 was significant and has begun to bear fruit. More specifically, the Bank of Cyprus has exited resolution and has been recapitalised by its own means.

The cooperative credit sector has also been recapitalised and restructured while another positive development has been the successful raising of private funds by Hellenic Bank in order to cover the capital requirements laid out in the MoU. As a result of the recapitalisation, the banking sector has now significant funds that may be used to absorb any further shocks.

With respect to macroeconomic and fiscal developments, it should be noted that real GDP recorded a significantly smaller contraction in 2013 than originally estimated by the Troika. Specifically, while a decline of 8,7% in real terms was initially expected, the actual decline was 5,4%. A particularly positive development has been the budgetary targets which have so far been achieved with significant margins, reflecting the prudent implementation of the budget as well as the smaller than expected deterioration in economic activity. The 2014 budget remains conservative and aims at frontloading additional fiscal adjustments in the years 2015-2018 in accordance with the MoU. The objective is to achieve and maintain a primary surplus of 4% of GDP in the long term, so that the debt follows a stable and sustainable downward path.

Based on the above developments, the overall assessment of the economy's performance since March 2013 is considered very encouraging. Although the growth rate is still negative and unemployment is at very high levels, it seems that the necessary conditions for reversing the negative trends have been established, while the impact of the MoU measures have thus far been less severe than expected. Additionally, it should be noted that the positive long-term effects of the MoU measures will more than offset the negative short-term effects. Indeed, they have already created the conditions for the return to long-term sustainable growth, full employment and prosperity.

## International developments

Global growth remained stable in the first quarter of 2014, despite some negative effects caused by temporary factors such as the adverse weather conditions in the United States and the closure of industrial plants in China for environmental reasons. The shift in growth dynamics is uneven across regions, with advanced economies accelerating and large emerging economies decelerating, mainly due to increased economic and geopolitical uncertainties.

Global inflation remains low compared with historical averages, reflecting subdued developments in energy prices and significant global excess capacity. The major central banks, including those of the US, the euro area, Japan and UK continued to adopt accommodative monetary policies by maintaining interest rates at historically low levels and injecting liquidity using various unconventional measures.

Analytically, the liquidity and the refinancing operations by the ECB continued to provide unlimited liquidity to euro area MFIs. These actions were deemed necessary for maintaining a smooth and effective transmission of monetary policy in the euro area. However, since January 2013, the excess liquidity has gradually decreased due to voluntary early repayments of open market operations and especially Long-term Refinancing Operations (LTROs) from MFIs.

It is worth mentioning that in June 2014, shortly before the publication of this *Economic Bulletin*, the Governing Council of the ECB announced measures for the enhancement of the monetary policy transmission mechanism and supported lending to the real economy. More specifically, the monetary policy measures announced are: (i) further reduction of the key interest rate to 0,15%; (ii) additional cheap targeted longer-term refinancing operations (TLTROs) with a time horizon equal to two years and maturity date September 2018, under the goal of stimulating bank lending to non-financial private sector (excluding loans and house purchase); and (iii) intensification of preparatory work related to outright purchases of asset backed securities (ABS). These decisions of the ECB were mostly based on the current macroeconomic projections and monetary analysis (sluggish credit growth) for the euro area.

The recovery of economic activity in the euro area observed in 2013 continued in the first months of 2014, mainly due to the improvement of retail sales and consumer confidence. Nonetheless, risks to the economic outlook continue to be on the downside. Geopolitical risks, as well as developments in global financial markets and emerging economies, may adversely affect the fragile recovery in the euro area. Apart from these, other risks relate to the possibility of an inadequate implementation of structural reforms in the euro area, especially in the periphery countries, and to weaker than expected domestic demand and exports. At the same time, although labour markets have stabilised and have shown signs of improvement, unemployment remains at high levels.

Economic activity in the US, the UK and especially Japan, recorded some fluctuations during the first months of 2014. Following a moderate slowdown, mainly due to adverse weather conditions and subdued export demand, economic activity in the US is expected to accelerate through the recovery of private domestic demand and consumer confidence. In contrast, private domestic demand in the UK contributed to the development of economic activity, even though a weakening in the prospects for productivity growth coupled with the need for adjustment in the public and private sector balance sheets, raise concerns about the strength and durability of the economic recovery. Japan's economic slowdown is expected to continue in 2015, largely on account of restrictive fiscal policies during 2014 and 2015.

## Domestic developments

Real GDP fell by 5,4% in 2013 compared with a decline of 2,4% in 2012. Based on preliminary data for the first quarter of 2014, GDP registered a decline of 4%. In particular, for the first quarter of 2014, negative growth rates were recorded in the secondary sector of the economy (manufacturing and construction) as well as in the sectors of banking, tourism, transport, trade and other services sectors.

The Harmonised Index of Consumer Prices (HICP) was negative in the first four months of 2014 and stood at -1% compared with 1,3% in the corresponding period of 2013. It should be noted that successive negative inflation rates were recorded in the Cypriot economy from October 2013 onwards mainly as a result of the severe domestic recession, particularly the large drop in earnings, as well as the significant reductions in electricity prices. These negative inflation rates were recorded despite the increase in VAT as well as the increase in excise duty on fuel for cars as from January 2014.

In the monetary sector, the negative annual growth rate of loans to the domestic private sector from May 2013, continued in the first quarter of 2014. This mainly reflects the ongoing effort of domestic banks to deleverage further, following the March 2013 Eurogroup decisions. A similar picture was also observed in the growth of domestic private sector deposits, which, since March 2013, have recorded consecutive negative rates. However, it is worth mentioning that at the end of the first quarter of 2014, deposit outflows declined considerably. Nevertheless, according to the latest data available, in April 2014 total deposits recorded an increase for the first time since December 2012.

Most of the lending rates in Cyprus, although remain at high levels, experienced small fluctuations in the first quarter of 2014 compared with the end of 2013, whereas compared with the corresponding quarter of 2013 they recorded a slight decrease. According to the latest data available, at the end of March 2014 domestic borrowing costs in all loan categories remained at higher levels compared with the corresponding costs in the euro area. In addition, domestic deposit rates started stabilising after the sharp decrease that was recorded in April 2013 and following the CBC's proposal in May 2013 (according to which, the CBC will impose additional capital requirements on credit institutions that offer deposit rates which exceed Euribor + 300 b.p.). Nonetheless, some minor fluctuations were observed by the end of 2013 and onwards.

As far as the current account deficit is concerned, it has exhibited a substantial improvement, having posted a deficit of around €310 million in 2013 compared with a deficit €1.217,1 million in 2012. In particular, the trade balance of goods and services recorded a surplus of €312,6 million in 2013 compared with a deficit of €545,9 million in 2012. This is mainly due to the reduced imports of goods, reflecting the recession in 2013. This trend is expected to continue in 2014.

As regards the labour market, employment registered an annual reduction of 5,4% in 2013 as against a decline 3,3% in 2012. In addition, according to data from the Labour Force Survey (LFS), the unemployment rate continued its upward trend in 2013, with the unemployment rate increasing by 4,1 percentage points, reaching 15,9% of the labour force.

Regarding developments in public finances, the final data for 2013 as published by the Cyprus Statistical Service (Cystat) point to a significant improvement on account of the ongoing implementation of the fiscal consolidation programme, the prudent execution of the state budget as well as the less severe downturn in economic activity than was originally expected for 2013. Specifically, the primary deficit as a percentage of GDP stood at 2% in 2013, compared with a primary deficit of 3,2% in 2012.

General government consolidated gross debt as a percentage of GDP registered a further significant increase to 111,7% at the end of 2013, up from 86,6% at the end of 2012. This development is attributable to a number of factors, including the recapitalisation of the cooperative credit sector by the state within the context of the MoU as well as to unused programme financing, given the materialisation of a smaller deficit than originally expected.

Regarding the prospects for the economy, one important aspect that should be noted is the revision of the MoU forecasts during the fourth assessment of the programme by the Troika. The contraction of the economy in 2014 is expected to be of a smaller scale (-4,2%) than previously projected, due to better than expected results for 2013 and other recent indicators. It should be noted that according to the preliminary estimate of Cystat for the first quarter of 2014, the figure for GDP is better than expected as the decline was confined to 4%. The relatively better performance displayed by recent economic indicators of domestic demand in the early months of 2014, indicates an even smaller contraction of GDP than the forecast contained in the MoU. As regards 2015, the GDP growth forecast was revised downwards to 0,4% from 0,9%.

## SECTION A

# Macroeconomic Developements and Projections

# 1. International Environment

## 1.1 External developments

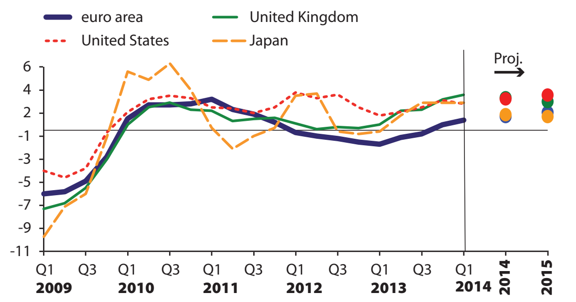
### GDP growth[1]

Global growth remained stable in the first quarter of 2014, despite some negative effects caused by temporary factors such as the adverse weather conditions in the US and the closure of industrial plants in China for environmental reasons. The shift in growth dynamics is uneven across regions, with advanced economies accelerating and large emerging economies decelerating, mainly due to increased economic and geopolitical uncertainties. Concerns about a possible escalation of tensions between Ukraine and Russia, have also increased uncertainty regarding global economic recovery.

Against this background, GDP in the euro area recorded positive annual growth of 0,9% in the first quarter of 2014, reflecting an increase for three consecutive quarters (**Chart A.1**). This was mainly due to the increase in domestic demand, which is also reflected in the revival in retail sales, exports and consumer confidence. Leading and survey indicators confirm the persistence of moderate growth for the first and second quarter of 2014. Looking ahead, domestic demand is projected to continue to be supported by various factors including the expansionary monetary policy adopted by the ECB and ongoing developments in financing conditions, structural reforms and energy prices. Although labour markets seem

1. GDP projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (10 May 2014), the European Commission (*European Economic Forecasts*, Spring 2014) and the IMF (*World Economic Outlook*, April 2014).

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.

to have revived shortly, high unemployment and weak private and public balance sheets are negatively affecting the pace of economic activity. International organisations and analysts forecast GDP growth to be around 1,2% in 2014 and 1,6% in 2015, with risks to this projection remaining on the downside.

In the US, annual GDP growth slowed to 2,3% in the first quarter of 2014 compared with 2,6% in the fourth quarter of 2013. Weak non-residential investment and subdued demand for the country's exports along with one-off factors such as adverse weather conditions, held back economic activity. Residential investment and government spending declined at a slower pace compared with the previous quarter, while private consumption remained constant. Moreover, the unemployment rate recorded a significant decrease reaching 6,3%, the lowest level since September 2008. According to leading indicators, economic activity is expected to accelerate in the current year. This strengthening is driven by an increase in domestic private demand, supported by improvements in fiscal policy and consumer confidence. International organizations and analysts estimate that GDP growth rate will be close to 2,7% in 2014 and 3,1% in 2015.

In Japan, economic activity recorded an increase in the first quarter of 2014, reaching 1,5% compared with a 0,1% in the last quarter of 2013, mainly driven by a significant increase in retail sales. While retail sales have been increasing, higher imports have contributed to a widening of the trade deficit. These effects can be partly attributed to a frontloading of demand prior to the anticipated increase in the consumption tax from 5% to 8% on 1 April, 2014. Unsurprisingly, due to the consumption tax hike and the frontloading of demand, recent confidence indicators suggest that economic momentum in the second quarter of 2014 has fallen. International organisations and analysts project that Japan's GDP growth in 2014 will be around 1,4% and around 1,2% in 2015.

In the UK, GDP annual growth reached 3,1% in the first quarter of 2014, compared with 2,7% in the fourth quarter of 2013, retaining a robust economic growth. Growth was mainly driven by private consumption, reflecting a low inflation and improvements in the labour market. A weakening in productivity growth coupled with the need for adjustment in the public and private sector balance sheets are expected to limit the growth of real income and domestic demand, raising concerns about the strength and durability of the recovery. Nonetheless, in February 2014, the country's economic growth was supported by an unemployment rate of 6,9%, a rate below the 7% threshold set by the Bank of England's Monetary Policy Committee (MPC) in August 2013 and under which the BoE's MPC held that inflationary pressures from the demand side will remain subdued In view of the developments in February 2014, the MPC launched new guidelines including the possibility of reducing even further the 7% unemployment threshold without causing inflationary pressures. International organisations and analysts forecast GDP growth to be around 2,8% in 2014 and 2,5% in 2015.

### Inflation[2]

Global inflation remains low compared with historical averages, reflecting subdued

2. Inflation projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (10 May 2014), the European Commission (*European Economic Forecasts*, Spring 2014) and the IMF (*World Economic Outlook*, April 2014).

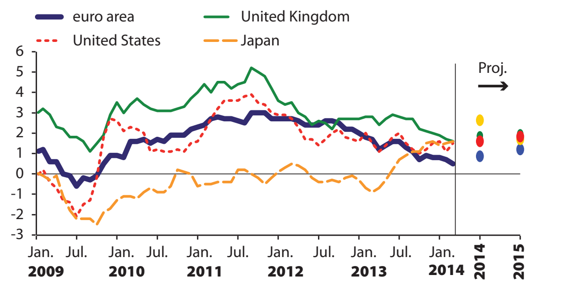
developments in energy prices and significant global excess capacity (**Chart A.2**).

More specifically, in the euro area the HICP, although still at low levels, recorded a slight increase of 0,7% in April 2014 compared with 0,5% in March 2014. This increase was mainly due to rising energy prices and services. In particular, higher increases in the prices of services in April 2014 can be partially attributed to a seasonal effect, as the timing of Easter in 2014 compared with last year could likely result in a higher annual rate of change in prices of holiday packages, air transport and hotel accommodation. The HICP excluding energy and food prices also increased from 0,7% in March 2014 to 1% in April 2014, under the impact of the temporary calendar effect. The consensus of the latest forecasts for euro area inflation from international organisations and analysts from the private sector are 0,9% for 2014 and 1,2% for 2015.

In the UK, inflation decelerated to 1,6% in March 2014, the lowest level since October 2009. The lower inflation indicates a slowdown of broad-based products prices as well as the aforementioned seasonal effect. Despite the economic momentum recovery, expectations of inflationary pressures demonstrate the indirect effect of sterling's recent appreciation and the country's excess capacity. Analysts project that inflation in the UK will be around 1,9% in 2014 and 2% in 2015.

In the US, inflation accelerated to 1,5% in March 2014 from 1,1% in February 2014, mainly due to higher prices for food and shelter. Core inflation in March marginally increased to 1,7% from 1,6% in February 2014, signalling a retreat of inflationary pressures. Looking ahead, prices are expected to

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.

gradually increase for the rest of the year, in line with expectations of a moderate reduced slack in the economy. According to the latest forecasts, inflation is expected to be around 1,6% in 2014 and 1,8% in 2015.

Since the beginning of 2014, inflation in Japan has progressively increased, reaching 1,6% in March 2014 compared with 1,5% in February 2014. However, the increase of consumption tax in April 2014 is expected to cause a spike in inflation. Analysts project that inflation in Japan will be around 2,6% in 2014 and 1,7% in 2015.

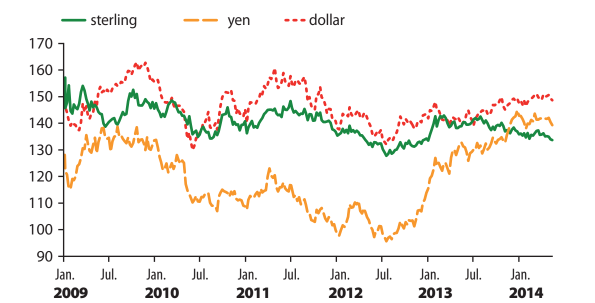
### Exchange rates

After a sharp depreciation of the yen against the euro in 2013, the effective exchange rate of the euro against major currencies presented marginal fluctuations during the first four months of 2014 compared with the end of 2013. This reflects market concerns about future monetary policy decisions and expectations regarding the economic outlook of the euro area relative to other major economies. More specifically, from 31 December 2013 up to and including 16 May 2014 (the cut-off date for data in the current *Bulletin*) the euro depreciated by 0,4%, 2% and 4% against the dollar, sterling and yen, respectively (**Chart A.3**).

### Oil and gold

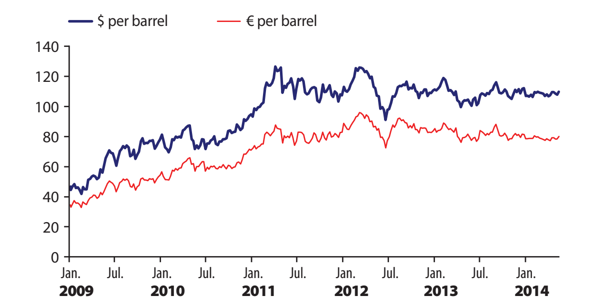
The closing price of Brent crude oil fell to $108 in the first quarter of 2014, compared with the closing price of $112,2 in the last quarter of 2013. From April and onwards, the price of Brent crude oil recorded a slight increase, reaching $109,8 per barrel on 16 May (**Chart A.4**), mainly due to reduced oil production by

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)

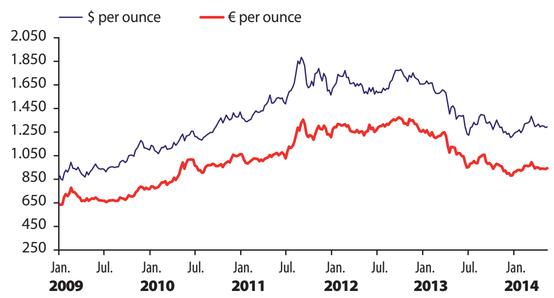



Source: Bloomberg.

OPEC, countries. The seasonally weaker demand and the foreseeable recovery of oil exports in Libya, held an upward pressure on oil prices. However, oil market participants expect a decline in oil prices over the medium term as the International Energy Agency anticipates a faster than expected growth in oil supply and weaker than expected oil demand. As a result, December 2015 Brent futures contracts are currently trading at $100 per barrel.

The price of gold fell during the period January 2014 - May 2014, reaching a closing price of $1.293 per ounce from $1.360 in the corresponding period of 2013 (**Chart A.5**), mainly due to concerns about a decline in demand from major emerging economies.

CHART A.5 **Closing prices of gold**
(weekly data)




Source: Bloomberg.

**Selected international stock market indices**

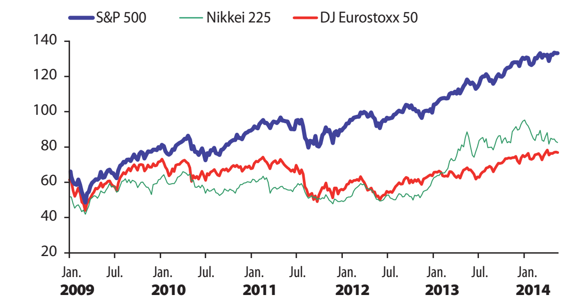
Price fluctuations observed in the stock market indices of the euro area, US and Japan during the first months of 2014, and particularly during the period April to beginning of May, show that the political events in in Ukraine as well as announcement effects coming from economic data releases can be transmitted via financial markets. Nevertheless, the methodology and macroeconomic scenarios for the 2014 EU-wide stress tests published by the European Banking Authority in late April 2014 positively impacted European banks' share prices. In particular, the euro area stock index (DJ Eurostoxx) recorded a marginal increase of 3,2% for the period January 2014 - 16 May 2014 (the cut-off date for data in the current *Bulletin*). In contrast, the entire financial sector both in the euro area and the US, recorded a marginal fall during the same period. The

S&P500 remained broadly stable while the Nikkei 225 contracted significantly by 14% owing to the possible slowdown of the Japanese economy (**Chart A.6**).

**International official interest rates**

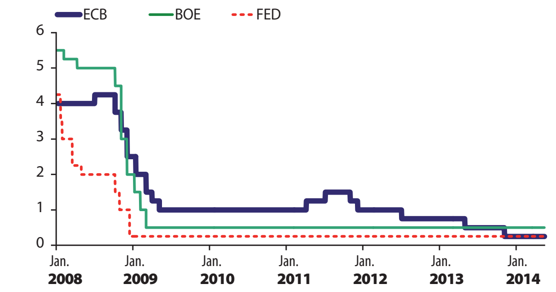
The major central banks continued to adopt accommodative monetary policy and to implement unconventional monetary policy measures throughout 2014 (**Chart A.7**), while keeping key interest rates unchanged (0,25%, 0-0,25% and 0,5% for the ECB, Federal Reserve and Bank of England, respectively). ECB President Mario Draghi, in his opening speech after the conclusion of the Governing Council meeting in May 2014, stated that key ECB interest rates are expected to remain at current or lower levels for a prolonged period of time. This is based on the low medium-term inflation expectations, given the overall weak economic outlook, excess unutilised capacity, and subdued money and credit creation. In addition, the Governing Council unanimously announced its commitment to a possible use of non-conventional measures for the maintenance of price stability and for effectively addressing the risks posed by a very prolonged period of low inflation. Based on the objective of price stability, it is worth mentioning that on 5 June 2014, shortly before the publication of this *Economic Bulletin*, the Governing Council of the ECB announced measures for the enhancement of monetary policy transmission mechanism and supported lending to the real economy (see **Box A.1**, p.25). The Bank of England also announced the continuation of its QE programme by purchasing assets amounting to £375 billion. Given better economic prospects, the Federal Open Market Committee (FOMC) announced

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




Source: Bloomberg.

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




Sources: ECB, Fed, BoE.

at its meeting on 30 April 2014 a further reduction in the monthly pace of its asset purchases. As a result, by the beginning of May 2014 asset purchases will be equal to $45 billion, a reduction of $10 billion.

## 1.2 Monetary developments in the euro area

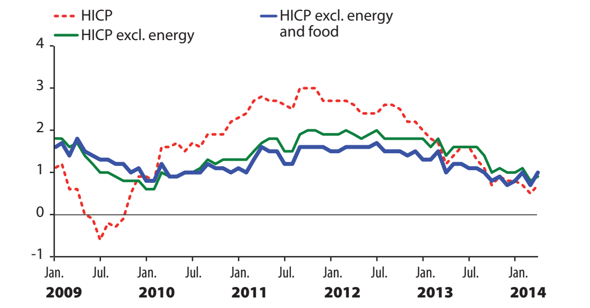
### Inflation

As mentioned above, according to the latest data available, inflation in the euro area recorded an increase of 0,7% in April 2014 (**Chart A.8**) compared with 0,5% in March 2014, remaining however at very low levels. The slight increase in April 2014 mainly reflects the rising prices of services and the seasonal effect of Easter's timing. During the period January-April 2014, inflation stood at 0,7% compared with 1,7% in the corresponding period of 2013, primarily due to significant reductions in annual energy inflation and to lower inflation in other components of the HICP resulting from excess capacity. Excluding energy and food, inflation in the euro area in April 2014 reached 1% from 0,7% in March 2014.

### Reference rates and ECB interventions

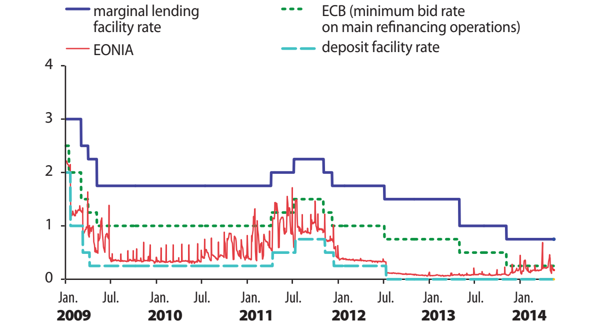
During the first months of 2014, the ECB kept its key interest rates unchanged. As a result, the main refinancing rate stands at 0,25% while the marginal lending and deposit facility rates stand at 0,75% and 0%, respectively (**Chart A.9**). However, on the basis of sluggish inflation prospects extending to the medium term, an overall weak economic outlook, excess unutilised capacity, and subdued monetary growth, the President of

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




Source: Eurostat.

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




Source: Bloomberg.

the ECB stated that the Governing Council will, if needed, proceed to a further easing of monetary policy, reiterating that key interest rates are expected to remain at present or even lower levels for a sustained period. He also announced the unanimous commitment of the ECB Governing Council to the possible use of non-conventional measures for effectively addressing the risks posed by a prolonged period of low inflation. On 5 June 2014, shortly before the publication of this *Economic Bulletin*, the Governing Council of the ECB established monetary policy measures to fully address the above risks (see **Table A.1**, p.33).

During the first months of 2014, the ECB continued to support money markets through liquidity-providing operations with a maturity of one week, one maintenance period and three months. More specifically, during the period 4 April – 7 May, the ECB Governing Council decided to continue conducting the main refinancing operations (MROs) as fixed rate tender procedures. The Governing Council also decided to conduct two longer-term refinancing operations (LTROs) of three-month maturity, dated 8 and 30 April, respectively. Moreover, it is worth noting that excess liquidity decreased during the third maintenance period of 2014, mainly due to voluntary early repayments of two three-year LTROs issued on 21 December 2011 and 29 February 2012. Nevertheless, excess liquidity increased slightly in the fourth maintenance period, mainly on account of higher outstanding open market operations. The aforementioned ECB interventions continue to ensure that euro area MFIs face no restrictions on the liquidity provided by ECB. The ECB Governing Council will continue to closely monitor euro area developments with

1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

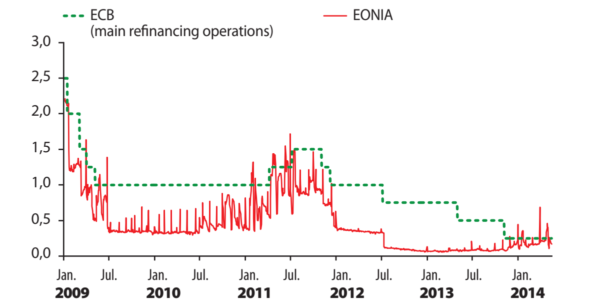
the aim of ensuring price stability and aiding euro area growth prospects.

## Interbank market and interest rate differentials

Money market interest rates remained broadly unchanged, recording marginal increases in March and April, probably due to fluctuations of excess liquidity at the end of the quarter. Analytically, the interbank overnight rate (EONIA) remained broadly stable at around 0,20%, excluding the last week of April 2014 where it reached the rate of 0,45% (**Chart A.10**), reflecting the increased demand for precautionary liquidity buffers. Once such pressures abated, EONIA fell again in the first week of May, closing at 0,16% on 16 May (the cut-off date for data in the current *Bulletin*). At the same time, the 1-month, 3-month and 12-month EURIBOR stood at 0,26%, 0,32% and 0,59%, respectively. The spread between the 12 and 1-month EURIBOR, which is an indicator of the slope of the money market yield curve, stood at 35 basis points on 16 May 2014; marginally below the December 2013 levels (**Chart A.11**).The spread between the 3-month EURIBOR and the OIS[3] products illustrated in **Chart A.12** remained stable at low levels during the first months of 2014 compared with the end of 2013 (from an average of 0,11% in December 2013 to an average of 0,18% in the first two weeks of May 2014). This development can be attributed to a moderate reduction of excess liquidity observed in the third maintenance period of 2014, partly due to the complete absorption of liquidity provided through the Securities Markets Programme and the early repayments of the three-year LTROs.

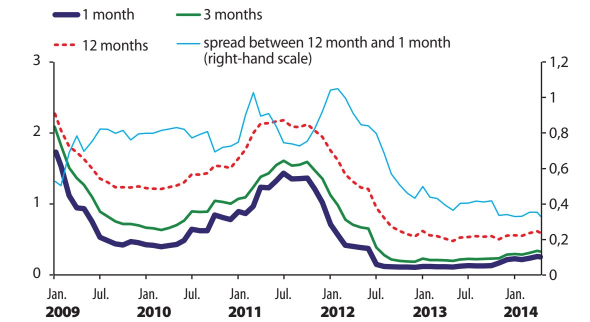
3. The quarterly figures published by the ECB for the euro area relate to the average price of the quarter.

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



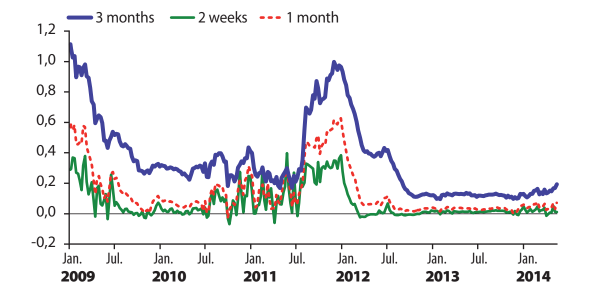

Source: Bloomberg.

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




Source: Bloomberg.

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




Source: Bloomberg.

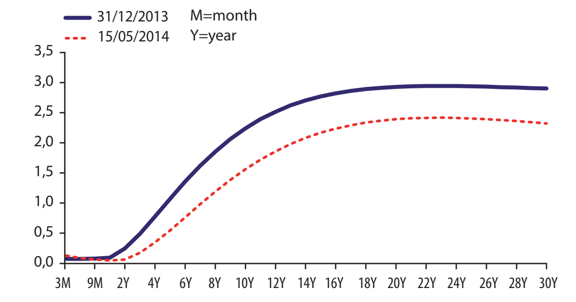
## Euro area yield curve

The yield curve for AAA-rated euro area government bonds with a 30-year maturity (spot prices), illustrated in **Chart A.13**, reflects market expectations concerning future developments in short and long-term interest rates, and also serves as a useful indicator for future economic activity prospects. During the course of this year (the cut-off date for data is 16 May 2014), the slope of the curve with regards to short-term expectations, remained stable. With regard to long-term expectations, the curve shifted downwards. It presented a downward shift compared with 15 November 2013 (the cut-off date for data in the December 2013 *Bulletin*) and 31 December 2013. This was mainly due to the boost of investors' confidence in the euro area, and mostly in the stressed countries, underpinned by the positive credit rating of Spain and the successful government bond issuance in Portugal. These developments managed to offset the evolving concerns about geopolitical risks associated with the political crisis in Ukraine.

## M3 and credit expansion

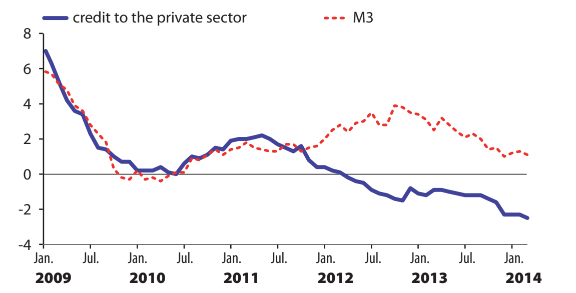
The annual growth rate of M3 money supply remained subdued during the first quarter of 2014, while credit growth continued to be negative in the euro area. More specifically, in March 2014 the growth of M3 reached 1,1% compared with 1% reported at the end of December 2013 and 2,5% at the first quarter of 2013 (**Chart A.14**). This slow-down is associated with outflows coming from marketable instruments and short-term deposits driven by investors interested in high yield investments such as asset classes in the

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




Source: Bloomberg.
Note: Yields on AAAgovernment bonds with maturity up to 30 year,spot prices.

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




Source: SDW (ECB).

euro area. Concerning credit (loans and securities) to the private sector, the annual growth rate of total MFI credit to euro area residents continued to be in negative territory and therefore continued to report negative growth as of April 2012 (**Chart A.14**, p. 23). Consequently, the growth of credit to the private sector exhibited a fall of 2,5% at the end of the first quarter of 2014, compared with a decline of 2,3% and 0,9% at the end of the fourth and first quarter of 2013, respectively. Low negative growth rates were also recorded in the category of loans to households, reaching -0,1% at the end of the first quarter of 2014 compared with positive growth rates of 0,1% during the fourth quarter of 2013 and 0,4% in March 2013. The above figures reflect weak economic activity in the euro area, resulting in reduced demand for business loans. According to the results of the April 2014 Bank Lending Survey in the euro area, the participating banks expect net easing of credit standards for loans to businesses in the second quarter of 2014 compared with the previous quarter, whereas loans for house purchase are expected to be relatively tighter. In contrast, consumer credit loans are expected to ease at the same level as the previous quarter. The survey also indicates that the second quarter of 2014 will probably show an increase in net demand for loans by both households and businesses.

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

### Prices

Domestic inflation, as measured by the Consumer Price Index (CPI), continued to exhibit a negative trend in April 2014,

## Box A.1: Deflation and its effects

### Introduction

The Eurosystem, which comprises the ECB and the national central banks (NCBs) of the euro area, has a clear mandate to maintain price stability under the Treaty establishing the European Community.

Price stability is defined as the annual increase in the Harmonised Index of Consumer Prices (HICP) of below, but close to, 2%. Inflation targeting reflects the generally accepted view that monetary policy contributes effectively towards sustainable growth, economic prosperity and job creation. Until now, the euro challenge was the avoidance of excess increases in prices. Today, given the adverse economic conditions prevailing in the euro area, the challenge is to avert the risk of a prolonged period of inflation remaining well below 2%.

### 1.1 Prolonged deflation in the euro area

Since the end of 2011 and until the first four months of 2014, average annual HICP inflation continued to exhibit a downward trend (from 2,5% in 2012 to 1,4% in 2013). Specifically, during the period January-April 2014, inflation in the euro area stood at 0,7%, well below the annual increase of 2% set by ECB as the price stability benchmark. This was mainly due to weak economic activity and the consequent sluggish credit growth and reduced demand for lending as well as the fall in commodity prices (oil and non-oil goods) combined with the appreciation of the euro against the dollar. Price adjustments and structural reforms in the euro area, especially in stressed countries, which relate to the strengthening but fragile economic recovery, also account for the recent downward inflation path.

Based on the above, analysts suggest that euro area's low inflation will extend into the medium term. It should be noted that due to the heterogeneous nature observed in the euro area, the tight fiscal policy pursued in member (stressed) countries resulted in deflation, i.e. price cuts.

### 1.2 Deflation effects

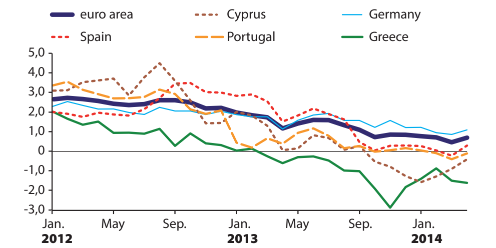
Deflation is defined as a persistent fall in of the general price level of goods and services. Deflation may produce a welfare gain as the purchasing power of consumers and competitiveness improve. At the same time, a key risk to economic activity stems from a prolonged period of deflation. More analytically, a deflationary spiral of declining prices can start when consumers are confident that prices will continue to exhibit a downward trend. As a result, consumers may opt to postpone their consumption with the prospect of buying goods and services at lower prices in the future (changing expectations). Enterprises, in their attempt to maintain turnover, exert a downward pressure on prices by reducing production costs. Therefore, on the one hand government budgets tend to shift from surplus to deficit due to lower corporate profits and thus less tax revenues but on the other hand unemployment rises due to redundancies or plant closures resulting from reduced production costs. In addition, deflation causes the real cost of borrowing to increase. This happens if nominal interest rates fall in line with prices since the resulting increases in real interest rates would lead to further downward pressures.

Also, it should be noted that addressing the negative effects of deflation by decreasing nominal interest rates would likely force investors to withdraw funds from banks, probably causing a credit crunch. At the same time, as the vast majority of debt contracts are expressed in nominal terms, deflation would lead to a slower than expected real debt burden for households, enterprises and the government. Consequently, private consumption, investment and government spending may decline to accommodate debt repayment.

Moreover deflation has negative effects on the stock market and other asset classes. More specifically, debt holders' effort to service their increased in value debt obligations, may force them to sell their assets at low prices and thus drive the corresponding prices on the downside.

**Chart 1** depicts HICP in the euro area and in selected countries for the period January 2012-April 2014. It can be seen that since the first months of 2013, inflation has exhibited on average a downward trend, and in some countries of the euro area and especially in the periphery countries, deflation was present. According to data for April 2014[1] (**Chart 1**), Cyprus, Greece and Portugal recorded deflation equal to -0,4%, -1,6% and -0,1%, respectively, whereas inflation in the euro area remained subdued at 0,7%. The above data is directly related to the global contraction in economic activity and the prolonged period of downturn prevailing in some euro area countries. In the case of Cyprus, negative inflation rates have been recorded since October 2013 and relate to recessionary pressures and a fall in energy prices. However, this negative trend is expected to be short-lived as negative growth rates have started to retreat. Inflation in Cyprus is expected to return to positive growth rates in both the short and medium term. It should be stressed that Cyprus is an open economy and therefore the country's inflation is affected by the inflation prevailing in its trading partner countries.

CHART 1 **Inflation in selected countries**
(annual gharge, %)




Sources: Eurostat, CBC.

### 1.3 Measures against the euro area deflation threat

Under the mandate of price stability, the ECB confirms its commitment to implement, conventional and non-conventional measures to sustain activity and limit the risk of very low inflation in the euro area. It is worth mentioning that on 5 June 2014, shortly before the publication of this *Economic Bulletin*, the Governing Council of ECB announced measures for the enhancement of the monetary policy transmission mechanism and supported lending to the real economy. More specifically, it announced the following monetary policy measures:

1. Note that the latest data available at the time of preparing this Box was April 2014

(1) **Interest rates: (i) further reduction of the key interest rate to 0,15%**. This is expected to strengthen the interbank market and thus lead NCBs to redistribute excess liquidity into the euro area economy; **(ii) negative deposit facility rate (equal to -0,10% from banks of the euro area to ECB)**. This aims to encourage bank lending to households and enterprises using banks' available liquidity.

(2) **Additional cheap targeted longer-term refinancing operations (TLTROs)**. The main purpose of this measure is to boost banks' liquidity with minimal cost. This development would stimulate bank lending to households (excluding loans and house purchase) and enterprises and increase private consumption and investment in the euro area.

(3) **Intensification of preparatory work related to outright purchases of asset backed securities (ABS).** With this initiative, the ECB aims to enhance the functioning of the monetary policy transmission mechanism, given the role of this market in facilitating new credit flows to the economy. Therefore, the Eurosystem will consider purchasing simple and transparent ABS, whose underlying assets will be consistent with claims against the non-financial private sector, taking into account the implementation of desirable changes in the regulatory environment, and will work with other relevant institutions to that effect. The Eurosystem will work out the appropriate conditions for this measure, including the basic requirements that ABS would have to meet in order to be considered acceptable.

Summing up, the monitoring of inflation is of primary importance given its severe consequences in an economy. On the one hand, excessive increases in prices point to downside risks (e.g. competitiveness), while on the other hand, a prolonged period of low inflation or deflation adversely affect market expectations. In June 2014, the ECB announced its commitment to protect the primary objective of price stability by using, if necessary, both conventional and non-conventional measures in order to effectively address the risk of the prolonged period of deflation that continues to prevail in the euro area.

Sources:
(i) CBC
(ii) ECB

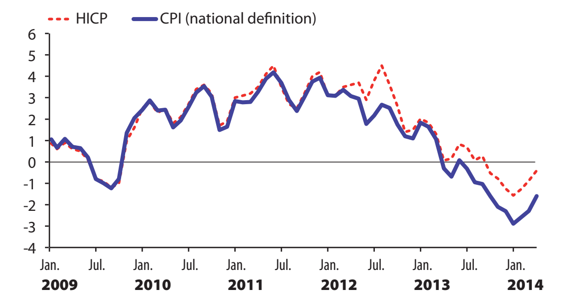
Websites:
(iii) https://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html
(iv) http://www.ecb.europa.eu/press/key/date/2014/html/sp140526.en.html
(v) https://www.ecb.europa.eu/press/key/date/2009/html/sp090624.en.html
(vi) http://ec.europa.eu/economy_finance/eu/forecasts/2014_winter/box4_en.pdf
(vii) http://www.ecb.europa.eu/pub/mb/editorials/2014/html/mb140515.el.html
(viii) https://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html
(ix) https://www.ecb.europa.eu/mopo/intro/benefits/html/index.en.html
(x) http://www.ecb.europa.eu/pub/pdf/other/financialstabilityreview201405en.pdf??b9ad281efe7751025dd1bb9b-6673e07c
(xi) http://www.ecb.europa.eu/press/pressconf/2014/html/is140605.en.html
(xii) http://www.ecb.europa.eu/press/pr/date/2014/html/pr140605_2.el.html
(xiii) http://www.ecb.europa.eu/press/pr/date/2014/html/pr140605_3.el.html

standing at -1,6% compared with -2,3% in March 2014 and -0,3% in April 2013. For the period January - April 2014, CPI recorded a significant slowdown of 2,3% compared with an increase of 1,1% in the corresponding period of 2013. At the same time, the Harmonised Index of Consumer Prices (HICP) recorded a decrease of 0,4% in April 2014 compared with a decrease of 0,9% in March 2014 and an increase of 0,1% in April 2013. During the period January - April 2014, HICP experienced an annual decrease of 1% compared with 1,3% in the corresponding period of 2013 (**Chart A.15**). Also during this period, a lower inflation in all components of the HICP was registered, compared with the same period last year. . This was mainly due to the severe domestic recession and the significant price reductions in electricity, despite the increase in VAT and excise duty on motor fuels since January 2014.

For the period under review, inflation excluding energy, reached -0,5% compared with a positive annual increase of 0,9% in the corresponding period of 2013. Specifically, in the energy component (**Chart A.16**), the downward effect of lower oil prices and the recent decision of the Cyprus Energy Regulatory Authority to probably convert the temporary 8% reduction in electricity prices into a permanent reduction, outweighs the upward effect of the increased excise duty on motor fuels and VAT rates. Consequently, energy inflation continues to fall. During the first four months of 2014, energy inflation stood at 6,1%, compared with a positive growth rate of 5% in the same period last year.

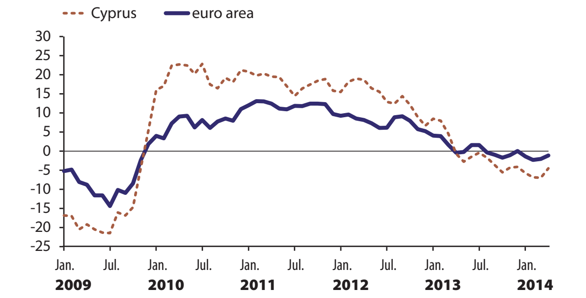
Food prices in the first four months of 2014 decreased by 4,8% compared with a slight increase of 0,5% in the corresponding period of 2013 (**Chart A.17**). Unprocessed food

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



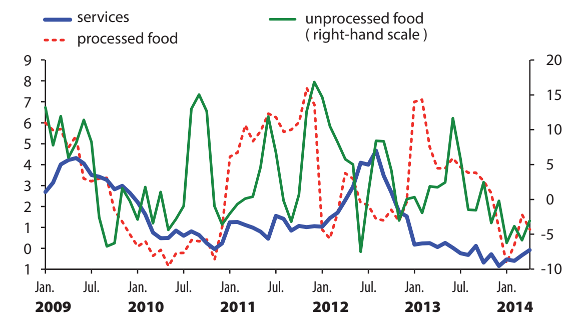

Source: Cystat.

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




Sources: Eurostat, Cystat.

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




Source: Cystat.

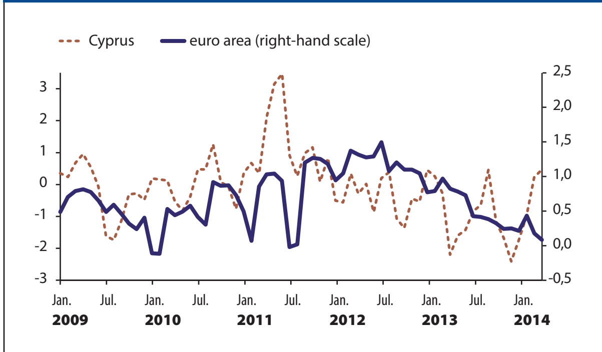
inflation, remained negative for the period under review, mainly due to the reduced prices of vegetables and meat. According to the latest available data, in April 2014 unprocessed food inflation reached 3,1% compared with an increase of 1,7% in April 2013.

With regard to processed food, inflation stood at 0,5% for the period January-April 2014, well below the 5,7% recorded in the corresponding period of 2013. Despite the increase of VAT on alcoholic beverages and tobacco, the aforesaid acceleration of inflation can be mainly attributed to a base effect and to increases in the prices of key items, such as bread and cereals.

Non-energy industrial goods inflation fell by 0,5% for the first months of 2014, compared with the same period last year (**Chart A.18**). It should be noted that the downward price pressures in this component of HICP, were almost entirely due to the increase in VAT which, as previously mentioned, rose from 18% to 19% in January 2014. In April 2014, the prices of industrial goods dropped by 0,5%, compared with a decline of 2,2% in the same month of 2013.

**Chart A.17** (p.28) also illustrates the annual percentage change in the prices of services, which in the first four months of 2014 posted a decrease of 0,4% compared with a slight increase of 0,2% in the corresponding period of 2013. As in the case of non-energy industrial goods, the evolution of prices in services reflects the downward pressures on inflation in the wake of the extreme adverse economic conditions and the consequent decline in consumption. In April 2014, the percentage decrease in the price of services was about 0,1% compared with an increase of 0,1% in April 2013, mainly due to the

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




Sources: Eurostat, Cystat.

significant annual price reductions in rents, education and restaurants.

Since November 2012, average domestic inflation has remained constantly below the euro area's inflation levels. In fact, during the first four months of 2014, inflation in Cyprus was on average lower than in the euro area for all HICP components except non-energy industrial goods. Excluding energy and food, which together represent approximately 30% of HICP, inflation was in the order of -0,3% during the period January - April 2014, compared with a 0% in the equivalent period of 2013. The sharp decline of core inflation was mainly due to the ongoing economic recession in Cyprus and the subsequent downward pressures on demand and domestic prices. The corresponding inflation rate in the euro area rose by 1% during the period under review.

### Monetary aggregates[4,5,6]

The negative annual growth observed in the private sector since May 2013, deteriorated

4. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the **Technical Notes** on p. 73.
5. With regard to the classification of loans by economic activity, note that as a result of a change in the Directive on the reporting of the monthly balance sheet return by MFI's 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.
6. Since January 2014, the Statistics Department of the CBC proceeded with a revision of the deposits and loans being published so that monthly transactions and annual percentage changes include the adjustment resulting from currency changes. With the inclusion of such a revaluation, trading and annual percentage changes in loans and deposits in foreign currency will not be affected by fluctuations in exchange rates. This revision significantly improves the accuracy of the data, giving information to users regarding the effective annual percentage change in the monetary aggregates, in line with the methodology applied by the ECB. It should be noted that the outstanding balances are not affected by this revision.

further during the first quarter of 2014. More specifically, a decrease of 4,3% was recorded at the end of March 2014 compared with a decrease of 3,6% in December 2013 and a positive growth rate of 1,5% in March 2013. This mainly reflects the ongoing effort of domestic banks to deleverage further, following the decisions of the Eurogroup in March 2013 as well as the economic downturn and low credit demand. It should be noted that at the end of the first quarter of 2014, the annual growth rate of loans to the domestic private sector was the second lowest in the last seven years (where comparable data are available). This is reflected in the historically low or negative rates of growth in the most important categories of loans, i.e. households and non-financial corporations (NFCs). A similar picture has also been observed in the growth rate of domestic private sector deposits. The data suggests that for the period March 2013-2014, the aforesaid deposits recorded consecutive negative growth rates, reflecting the severe loss of confidence in the banking system in Cyprus as a result of the Eurogroup decisions[7].

In line with the above, the April 2014 Bank Lending Survey (BLS) showed that in the first quarter of 2014, banks tightened their credit standards for all loan categories. The tightening was to the same extent as in the fourth quarter of 2013 for loans to NFCs and to consumer credit and other lending, while in the case of loans to households for house purchase was smaller. According to the banks participating in the BLS, the tightening of credit standards to both households and NFCs is expected to be the same during the second

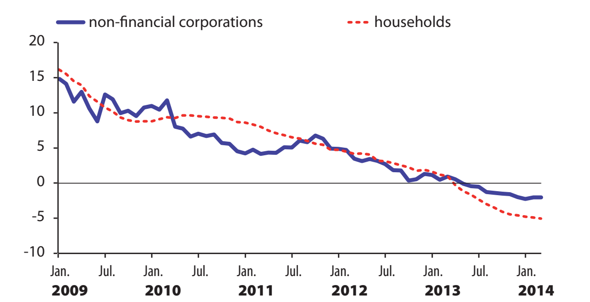
7. Recall that according to the statistical treatment following the decisions of the Eurogroup (see *Economic Bulletin* December 2013), the growth rate of deposits is not affected by these decisions, but relate to the impairment of a significant amount of uninsured deposits. These impairments are only reflected in the total outstanding amounts of deposits.

quarter of 2014. Moreover, the demand for consumer credit and other lending as well as for loans regarding house purchases is expected to be at the same level as in the first quarter of 2014. Finally, the demand for loans by enterprises is expected to remain constant in the next quarter.

A further analysis of monetary aggregates shows that at the end of March 2014, the annual growth rate of loans to the private sector experienced a decrease of 4,3% compared with a decrease of 3,6% at the end of December 2013. Also, the annual growth rate of loans to the private sector was well below the positive growth of 1,5% recorded in the first quarter of 2013. This is due to the fact that households and NFCs are in the process of loan repayments and balance sheet restructuring largely on account of unfavourable macroeconomic conditions prevailing in the domestic economy. Meanwhile, banks have been cautious in granting new loans due to the fragile economic environment, the reduced liquidity in the banking system and the large stock of non-performing loans. As a result, banks suggested the implementation of loan restructuring on existing loans. Consequently, continued negative growth rates are recorded both by loans to NFCs and households, while significant negative growth rates were also recorded by consumer loans to households (**Chart A.19**).

The growth rate of loans to domestic NFCs in March 2014 reached -2,0%, one of the lowest rates recorded over the previous seven years. In line with the above, and according to the latest BLS, in the first quarter of 2014 businesses reduced their demand for loans, due to their smaller need to finance mergers, acquisitions, restructurings and fixed

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




Source: CBC.

investment. Furthermore, during the first quarter of 2014, the main factor that contributed to the stricter policy of banks regarding loans to businesses was the associated risk of lending to companies with an uncertain financial position. In other words, factors such as the banks' liquidity position and the general economic outlook played a minor role.

A similar picture was observed for loans to domestic households, which, in the first quarter of 2014, recorded a negative growth of -5,1%, the lowest rate over the last seven years. Sub-categories of loans to households presented in **Table A.1** also show significant negative growth rates. For instance, during the last seven years, housing loans to domestic residents registered the second lowest growth rate of -5,3%. According to the BLS, in the first quarter of 2014 there was lower demand by households for this type of loan owing to: (i) households' expectations of a further deterioration in the housing market; (ii) the overall decline in consumer confidence; and (iii) the negative saving rate of households.

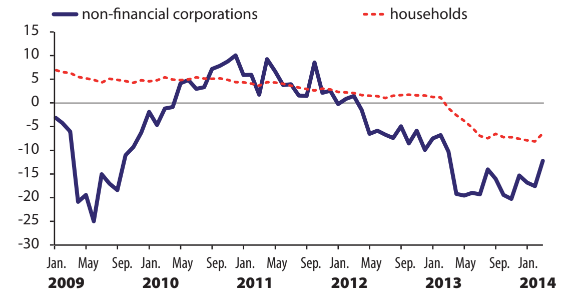
For the first time in seven years, and since March 2013, the annual growth rate of domestic private sector deposits exhibited negative growth. In March 2014, it declined by 10,9%, mainly reflecting the negative growth observed in domestic households and enterprises as well as in insurance companies and pension funds. As previously mentioned, the bail-in of deposits imposed by the Eurogroup is not included in the domestic private sector deposits. More analytically, the annual growth rate of deposits by domestic households remained at the lowest levels over the last few years (**Chart A.20** and **Table A.2**). Specifically, in March 2014 it stood at -6,4%, a

TABLE A.1 **Loans to domestic households** (1),(2)

| | Outstanding balance as % of total(3) | Annual percentage change 2012 Dec. | 2013 Mar. | 2013 June | 2013 Sep. | 2013 Dec. | 2014 Mar. |
|---|---|---|---|---|---|---|---|
| Domestic households | 100,0 | 1,9 | 1,0 | -1,6 | -3,5 | -4,6 | -5,1 |
| 1. Consumer credit | 13,6 | -0,9 | -1,1 | -6,8 | -9,6 | -10,9 | -12,6 |
| 2. Lending for house purchase | 53,2 | 1,0 | -0,3 | -2,7 | -4,4 | -5,2 | -5,3 |
| 3. Other lending | 33,2 | 4,8 | 4,0 | 2,5 | 0,8 | -0,8 | -1,3 |

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** (1),(2)

| | Outstanding balance as % of total(3) | Annual percentage change 2012 Dec. | 2013 Mar. | 2013 June | 2013 Sep. | 2013 Dec. | 2014 Mar. |
|---|---|---|---|---|---|---|---|
| **Domestic households** | **100,0** | **1,5** | **-1,1** | **-5,2** | **-6,5** | **-7,6** | **-6,4** |
| Overnight | 19,4 | -0,9 | -0,6 | 1,1 | 14,5 | 17,6 | 24,9 |
| **With agreed maturity** | **73,4** | **3,7** | **-0,1** | **-4,8** | **-9,9** | **-11,4** | **-11,4** |
| up to 2 years | 69,7 | 3,7 | 0,1 | -6,9 | -11,8 | -13,1 | -13,3 |
| over 2 years | 3,7 | 3,8 | -2,5 | 15,3 | 6,7 | 0,6 | 2,7 |
| **Redeemable at notice** | **7,2** | **-12,5** | **-11,2** | **-20,1** | **-10,7** | **-17,0** | **-14,2** |
| up to 3 months | 4,9 | -16,8 | -14,1 | -22,6 | -19,4 | -17,8 | -15,0 |
| over 3 months | 2,3 | -0,6 | -3,7 | -13,7 | 9,5 | -15,0 | -12,4 |

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.



1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

slight improvement since December 2013 (7,6%). It should be noted that the continued slowdown and negative growth rates of the aforementioned deposits is consistent with the general uncertainty prevailing in the domestic macroeconomic environment following the Eurogroup decisions. The recent turmoil in the domestic economy, the additional restrictive government decrees concerning capital controls, reduced disposable income, high unemployment, low domestic deposit rates and the fact that many households use their deposits to cover current debt obligations and repay their existing loans, are factors that worsen the outlook for bank deposits.

On account of the negative economic developments, domestic deposits with an agreed maturity recorded one of the highest negative growth rates in the last seven years, reaching -11,4% at the end of the first quarter of 2014 (**Table A2**, p. 33). Moreover, deposits redeemable at notice have continued to register negative growth since last year, reaching -14,2% at end-March 2014. It should be noted that the reduction observed in both short-term and long-term redeemable at notice and agreed maturity deposits, is mainly due to the inclusion of the legacy Laiki Bank (recently renamed as the "Bad" Laiki Bank) in the monetary aggregates of May 2013 and to the conversion of all uninsured deposits into long-term deposits.

Deposits of domestic NFCs continued to exhibit negative growth, recording a significant decline of 12,2% at end-March 2014 (**Chart A.20**, p. 33). It should be noted that the negative growth of these deposits is consistent with the prolonged downturn in economic activity, which has resulted in reduced corporate earnings. As a result, many

1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

companies have been forced, in part, to use their savings to cover their operational costs in terms of both capital and operating expenditures, such as rent, taxes or loan repayments to financial institutions.

With regard to total deposits of non-residents, including deposits by companies without a physical presence in Cyprus, there was a noteworthy annual decline of 21,6% at the end of the first quarter of 2014. In particular, deposits of non-resident NFCs, including brass plates, recorded a significant annual decline from March 2013 and onwards, reaching -23,2% as at end March 2014. These developments were partly due to the sluggish economic environment and the subsequent slowdown of entrepreneurial activity as well as due to the continuous outflows of deposits as a result of the economic and financial uncertainty prevailing in the domestic economy, following the Eurogroup decisions in March 2013. Correspondingly, the deposits of non-resident households displayed a similar pattern by registering a negative growth rate of -22,9% at the end of the first quarter of 2014.

**Interest rates**

Most of the lending rates in Cyprus, although continuing to remain at high levels, experienced small fluctuations in the first quarter of 2014 compared with the end of 2013, whereas compared with the same period of 2013 they recorded a slight decrease. So far, factors such as the liquidity shortage faced by most domestic banking institutions, the rise in non-performing loans and the reluctance of banks to grant new loans as well as the adverse macroeconomic conditions in the domestic environment have contributed to high interest rates. However, the successful implementation of the MoU, the restructuring of the banking system in Cyprus and the additional reduction of the key interest rate imposed by the ECB in November 2013, are factors that are expected to contribute to a reduction in domestic lending rates in the near future. It should be noted that since April 2013, domestic lending rates have started to show a slight decrease in most loan categories.

More analytically, the average interest rate on new euro-denominated loans from Cypriot MFIs to euro area households with an initial rate fixation of up to a year, and the cost of borrowing on new euro-denominated loans from Cypriot MFIs to euro area NFCs, showed minor fluctuations at the domestic level during the first quarter of 2014 compared with the year end of 2013, and decreased slightly compared with the same period last year. Nevertheless, they remained at high levels compared with other euro area countries. For instance, in March 2014, the average interest rate on housing, consumer and other lending to households reached 4,53%, 6,39%, and 5,93%, respectively (**Table A.3**), while for the same period, the average rate on new loans to NFCs of up to and over €1 million reached 6,31% and 5,82%, respectively (**Table A.4**). It should be noted, however, that domestic lending rates recorded in the last months, reflect, in part, the level of interest rates applicable to restructuring of loans by banks to households and businesses.

In the euro area, most interest rates on loans from MFIs continued experiencing a downward trend in 2013 (**Chart A.21**, p. 37). This continued in the first quarter of 2014 along with some small fluctuations. The consecutive reductions in key ECB interest

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

| | | Bank overdrafts [2] | Floating rate and up to 1 year initial rate fixation: Consumer Credit | Lending for house purchase | Other lending |
|---|---|---|---|---|---|
| 2013 | Jan. | 7,33 | 7,00 | 5,11 | 6,47 |
| | Feb. | 7,35 | 6,91 | 5,35 | 6,66 |
| | Mar. | 7,58 | 7,20 | 5,19 | 7,02 |
| | Apr. | 7,47 | 7,17 | 5,14 | 5,32 |
| | May | 7,31 | 6,88 | 4,66 | 6,24 |
| | June | 7,30 | 6,77 | 5,17 | 6,71 |
| | July | 7,30 | 6,80 | 5,33 | 6,83 |
| | Aug. | 7,40 | 7,04 | 5,33 | 6,60 |
| | Sep. | 7,36 | 7,17 | 4,86 | 6,47 |
| | Oct. | 7,32 | 7,14 | 4,88 | 6,71 |
| | Nov. | 7,03 | 6,57 | 4,71 | 5,79 |
| | Dec. | 6,88 | 6,00 | 4,67 | 5,98 |
| 2014 | Jan. | 7,02 | 6,29 | 4,65 | 5,84 |
| | Feb. | 7,01 | 6,43 | 4,58 | 5,41 |
| | Mar. | 7,01 | 6,39 | 4,53 | 5,93 |

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**
(% per annum, period average)

| | | Bank overdrafts [1] | Floating rate and up to 1 year initial rate fixation: Other loans up to € 1 million | Other loans over € 1 million |
|---|---|---|---|---|
| 2013 | Jan. | 7,05 | 6,83 | 5,84 |
| | Feb. | 7,05 | 7,03 | 6,58 |
| | Mar. | 7,04 | 7,33 | 6,76 |
| | Apr. | 6,94 | 6,90 | 6,02 |
| | May | 6,76 | 6,55 | 5,57 |
| | June | 6,77 | 6,48 | 5,73 |
| | July | 6,91 | 6,88 | 6,35 |
| | Aug. | 6,87 | 6,04 | 5,02 |
| | Sep. | 6,75 | 6,47 | 6,10 |
| | Oct. | 6,66 | 6,44 | 6,16 |
| | Nov. | 6,69 | 5,62 | 4,26 |
| | Dec. | 6,59 | 6,01 | 5,24 |
| 2014 | Jan. | 6,99 | 5,91 | 5,92 |
| | Feb. | 6,57 | 5,97 | 5,11 |
| | Mar. | 6,56 | 6,31 | 5,82 |

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

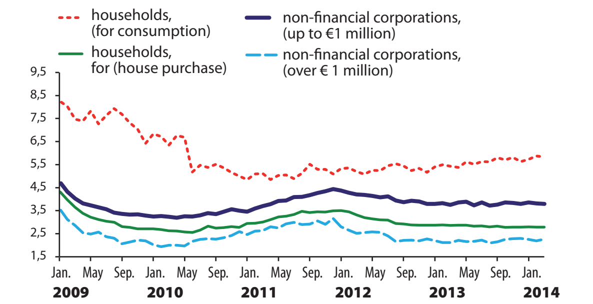
rates with the most recent being in November 2013, when the key ECB rate fell to a new all-time low of 0,25%, contributed to this development. Market analysts expect a further reduction of the key interest rate in the near future. For example, in March 2014 the average interest rate on new loans to households, consumer and other lending stood at 2,79%, 5,83% and 2,96%, respectively. Small fluctuations were also observed in loans to euro area NFCs of up to and over €1 million, which at the end of March 2014 stood at 3,79% and 2,26%, respectively.

The above analysis shows that the greatest difference between the interest rates in Cyprus and those in the euro area mainly relate to other lending and housing loans to households as well as to corporate loans.

Following the developments of March 2013, i.e. in April 2013, deposit rates offered by Cyprus MFIs to households and NFCs (**Table A.5**) contracted sharply. However, after the sharp decrease that was recorded in April 2013 and following the CBC's proposal in May 2013 (according to which, the CBC will impose additional capital requirements on credit institutions that offer deposit rates which exceed Euribor + 300 b.p.), domestic deposit rates started stabilising. Nonetheless, some minor fluctuations were observed by the end of 2013 and onwards.

Indicatively, in March 2014 the average rate on new deposits for households with an agreed maturity of up to one year reached 2,46%, while the corresponding rate for NFCs for the same reference period stood at 2,24%. Although deposit rates in the euro area are at much lower levels than in Cyprus, they recorded a further decrease in March 2014 (**Chart A.22**, p. 38). Specifically, the average interest rate on euro-denominated deposits

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




Source: SDW (ECB).
(1) At floating rate and up to 1 year initial rate fixation.

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

| | | Households[(1)] | | | Non-financial corporations | |
|---|---|---|---|---|---|---|
| | | | With agreed maturity | | | |
| | | Overnight[(2)] | Up to 1 year | Over 1 and up to 2 years | Overnight[(2)] | With agreed maturity up to 1 year |
| 2013 | Jan. | 1,10 | 4,53 | 4,70 | 0,54 | 4,12 |
| | Feb. | 1,10 | 4,52 | 4,73 | 0,49 | 4,27 |
| | Mar. | 1,17 | 4,34 | 4,54 | 0,56 | 4,15 |
| | Apr. | 1,00 | 3,67 | 3,88 | 0,53 | 3,20 |
| | May | 0,93 | 2,50 | 3,73 | 0,51 | 2,22 |
| | June | 0,86 | 2,34 | 3,63 | 0,44 | 2,17 |
| | July | 0,70 | 2,24 | 3,77 | 0,42 | 2,05 |
| | Aug. | 0,68 | 2,18 | 3,52 | 0,44 | 1,96 |
| | Sep. | 0,63 | 2,20 | 3,58 | 0,45 | 1,90 |
| | Oct. | 0,62 | 2,36 | 3,58 | 0,43 | 1,97 |
| | Nov. | 0,62 | 2,20 | 3,37 | 0,40 | 1,91 |
| | Dec. | 0,61 | 2,23 | 4,08 | 0,40 | 2,25 |
| 2014 | Jan. | 0,58 | 2,36 | 3,54 | 0,33 | 2,00 |
| | Feb. | 0,57 | 2,35 | 3,29 | 0,33 | 2,19 |
| | Mar. | 0,56 | 2,45 | 3,29 | 0,35 | 2,24 |

Source: CBC.
(1) Including non-profit institutions serving households.
(2) For this instrument category, new business refers to end-of-period.

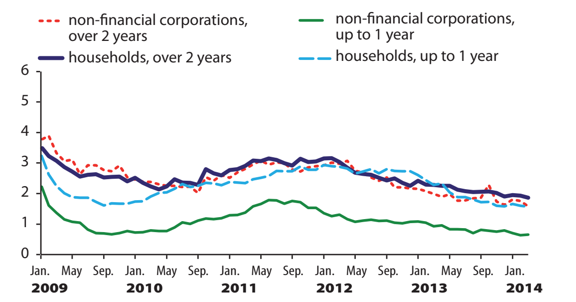
by households with an agreed maturity of up to one year stood at 1,57% at the end of the first quarter of 2014. The corresponding rate on deposits by NFCs reached 0,65% in March 2014.

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 emerging from competition between banks and cooperative credit institutions. According to the latest ECB data for March 2014, Cyprus had the highest lending rate in the euro area, with an initial rate fixation of up to one year on both housing loans and corporate loans up to €1 million. Regarding euro-denominated deposit rates with an initial rate fixation of up to one year, Cyprus's rates are ranked the second highest in the euro area after Greece.

## Labour costs

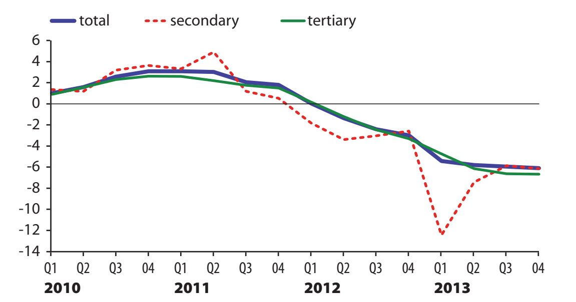
Labour costs in 2013 recorded a significant decrease compared with 2012, mainly driven by the contraction in economic activity. More specifically, the annual rate of change of the nominal compensation per employee was of the order of -5,8% for 2013 compared with -1,8% in 2012 (**Chart A.23**). This reflects a number of legislative reductions in salaries and pensions of government employees as well as general reductions in the private sector. It should be noted that despite the increased costs for gratuities due to early retirement, the cost per public employee recorded an annual decrease of 6% during this period. As regards the sectoral breakdown, decreases were mainly observed in the secondary and tertiary sector, with reductions in the services industry being the main reason for the annual reduction in the

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




Source: SDW (ECB).
(1) New deposits with agreed maturity.

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




Sources: SDW (ECB), Cystat, CBC.

compensation per employee, as it accounts for 80% of total employment. Specifically, the compensation per employee in the secondary and tertiary sector recorded an annual decrease of 8% and 6%, respectively, in 2013, compared with a corresponding reduction of 2,7% and 1,8% in 2012 (**Chart A.23**, p. 38).

Regarding the real compensation per employee, it recorded a significant annual decrease of 5,5% in 2013 compared with a decrease of 4,3% in 2012 (**Chart A.24**). This development was mainly due to the continued decline recorded in nominal compensation per employee compared with the rate of inflation. In terms of productivity, which is calculated as the change in real GDP per person employed, it registered no change in 2013 compared with an increase of 1% in 2012 (**Chart A.24**). Unit labour costs, which are determined by the reduction in the nominal compensation per employee and the change in productivity, recorded an annual decrease of 5,8% in 2013 compared with a decrease of 2,6% in 2012. In contrast, unit labour costs in the euro area rose by 1,2% in 2013, compared with 1,9% in 2012 (**Chart A.25**). Unit labour costs are an important indicator of competitiveness as it reflects labour costs per unit of output. Therefore, it is important for an economy in the medium and long term to maintain unit labour costs at low levels.

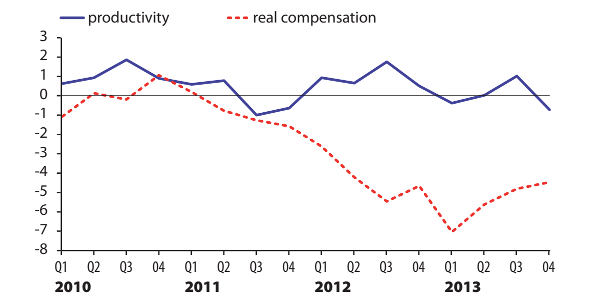
## 3. Domestic Competitiveness and the Balance of Payments

### Effective exchange rate

**Chart A.26** shows the effective exchange rate (EER) of the national currency in both real and nominal terms, as calculated by the IMF[8].

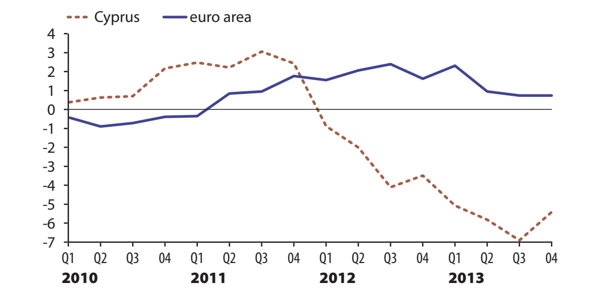
8. The effective exchange rate in real terms "REER IMF" takes into account third country competition with 19 other countries. The deflator used is the CPI. Because of the time lag in publishing this index, the CBC calculates a simplified index using eight countries instead of 19 ("REER CBC"). The same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

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



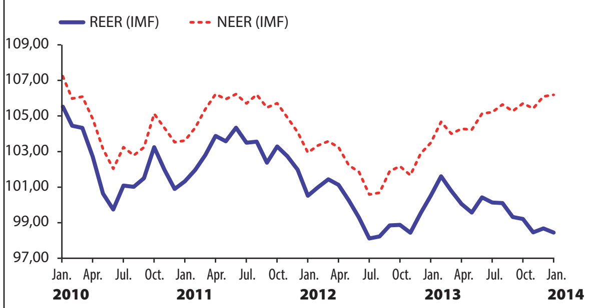

Sources: SDW (ECB), Cystat, CBC.

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)




Source: IMF.

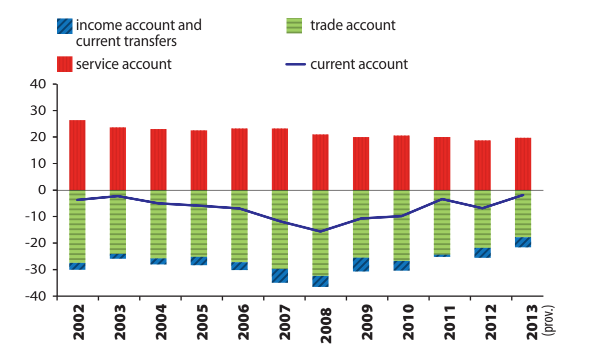
The index in nominal terms (NEER) appreciated by 2,6% in 2013, mainly due to the movement of the euro against its major national currencies. In contrast, the currency appreciation in real terms (REER) was much smaller, at 0,3% during the year, due to the low inflation recorded in Cyprus and the deterioration of economic activity after the events of March.

REER, inflation and unit labour costs are important indicators which reflect, to a significant degree, the level of competitiveness of the Cypriot economy. Specifically, higher unit labour costs and higher REER in Cyprus, compared to competing countries, suggest that domestic exports can potentially be less competitive with regard to prices, resulting in a preference for imported goods. Inflation is related, inter alia, to both the above indicators and, therefore, reflects the degree of an economy's competitiveness. The adoption of measures which affected the salaries of public sector, employees within the framework of the MoU, as well as salary reductions observed in the private sector have further reduced unit labour costs in the whole economy. This development will contribute in the medium - term to the strengthening of Cyprus's competitiveness as well as to the recovery of the economy.

**Balance of payments**

The current account deficit in the ( recorded a significant improvement and stood at €310 million in 2013 compared with a deficit of €1.217,1 million in 2012 (**Chart A.27**). The improvement in the deficit is mostly attributed to the improvement recorded in the balance of goods and services, which is an important indicator for the competiveness of

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




Source: CBC.

a small open economy such as Cyprus's, and to a lesser extent to the marginal improvement registered in the income account. The financing of the current account deficit was mostly from the liquidations in the portfolio account.

More specifically, the deficit of the trade balance recorded a major improvement and reached €2.940,5 million in 2013 compared with €3.855,9 million in 2012. This was mainly the result of the €853,9 million decrease in the imports of goods, which in turn is the result of reduced private consumption and investment. The most recent available data for the first quarter of 2014 can be found in **Table A.6**.

In 2013 the surplus of the services account recorded a small decrease of €56,9 million. This was due to the decrease in exports of services which have been partly offset by the reduction in imports of services. With regard to the exports of services, significant decreases were recorded in the category of other business services (15,1% or €283,9 million) largely due to reductions in revenue from merchanting and, to a lesser extent, from reductions in revenue from legal, accounting and business consulting services. In addition, exports of financial services decreased significantly by 35% (or €175 million). Travel revenues, which include revenues from tourism, increased by 7,9% in 2013 (or € 158,8 million) as a result of the increase in per capita spending, despite the reduction in the total number of tourist arrivals.

Imports of services recorded a significant decrease of 12,6%, reflecting decreases in all categories, with the largest reduction was recorded in financial services and other business services. More specifically, imports of financial services decreased by €57,4 million

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

| | Imports | Exports | Trade deficit |
|---|---|---|---|
| 2012 | 5.742,2 | 1.422,4 | 4.319,8 |
| 2013 | 4.810,5 | 1.611,6 | 3.198,9 |
| annual % change | -16,2 | 13,3 | -25,9 |
| 2013 Jan.-Mar. | 1.179,5 | 341,9 | 837,5 |
| 2014 Jan.-Mar.* | 1.152,1 | 351,7 | 800,4 |
| annual % change | -2,3 | 2,8 | -4,4 |

* provisional data
Source: Cystat.
Note. Total exports / dispatches for April and September 2013 include the transfer of economic ownership of mobile.

(45%) while other business services decreased by €88,9 million (31,8%). At the same time, transport recorded a significant reduction of 10,4% (or € 116,1 million), largely driven by a decrease in imports of goods.

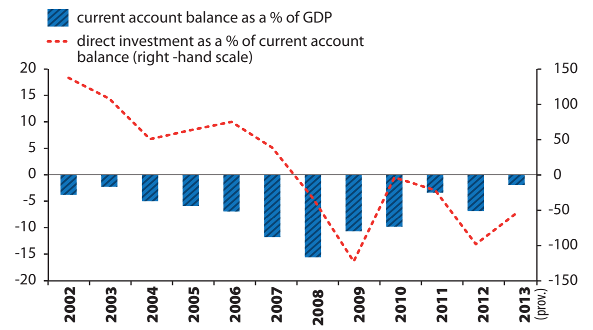
It should be noted that a smaller deficit was recorded in the income account during 2013, reaching €451,9 million in 2013 compared with a deficit of €456 million in 2012. The marginal improvement in the income account is attributed to the simultaneous decrease of both inflows and outflows.

The current account deficit (**Chart A.28**) in 2013 was financed by net portfolio investment inflows of €11.773,8 million, as a result of liquidations of debt securities issued by non-residents and net capital account inflows amounting to €244,1. Other investment recorded net outflows of €11.373,3 million during the reporting period, as a result of the significant decrease in MFI liabilities, which is largely related to the liquidations in portfolio investment.

## Tourism

Tourist arrivals decreased by 2,4% in 2013 while revenue from tourism increased by 8%. As a result of this, per capita expenditure recorded an increase of 10,7% (**Table A.7** and **Chart A.29**). Recent data for the first four months of 2014 show an increase in tourist arrivals of 1,4% compared with the same period of 2013, while revenue from tourism for the first two months of 2014 increased by 4,7%. The improvement in revenue from tourism partly reflects the negative geopolitical tensions in competing countries of the Mediterranean, the efforts of the Cyprus Tourism Organisation (CTO)

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



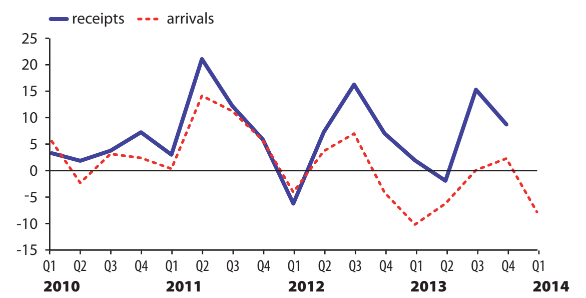

Source: CBC.

TABLE A.7 **Tourism**

| | Tourist arrivals (thous.) | Tourist receipts (€ million) | Expenditure per person (€) |
|---|---|---|---|
| 2012 | 2.464,9 | 1.927,7 | 782,1 |
| 2013 | 2.405,4 | 2.082,4 | 865,7 |
| annual % change | -2,4 | 8,0 | 10,7 |
| 2013[1] Jan. - Feb. | 84,6 | 59,2 | 699,8 |
| 2014 Jan. - Feb. | 85,9 | 62,0 | 721,8 |
| annual % change | 1,5 | 4,7 | 3,1 |
| 2013[2] Jan.- Apr. | 339,7 | - | - |
| 2014 Jan. - Apr. | 344,4 | - | - |
| annual % change | 1,4 | - | - |

Source: Cystat.
(1) Data for January 2013 are based on Cystat estimations.
(2) Data for March 2012 are based on Cystat estimations.

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




Source: Cystat.

and the private sector to improve the visibility of the Cypriot tourist product as well as further penetration in new markets such as Russia. In particular, arrivals from Russia increased by 28,8% in 2013, contributing to the large increase in tourist revenues, as Russian tourists appear to spend more per capita than tourists from other countries. Developments in 2013 indicate that the tourism sector remains important for domestic growth. The penetration into new markets and the emphasis given on new types of tourism products provide very good prospects.

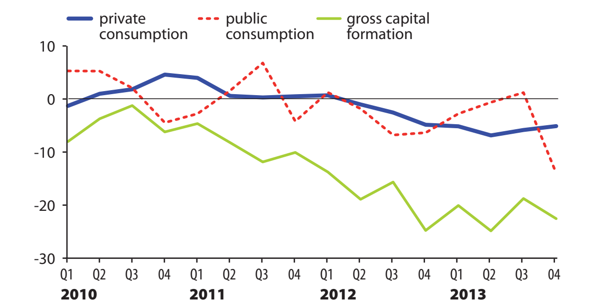
## 4. Domestic Demand, Production and the Labour Market

### Quarterly National Accounts

The Cypriot economy contracted by 5,4% in 2013 compared with a contraction of 2,4% in 2012. More detailed data for 2013 show a significant deterioration in private consumption by 5,7% (**Charts A.30 (a)** and **A.30 (b)**). A much larger decrease of 21,6% was recorded in gross fixed capital formation. As a result of the deterioration in domestic demand, real imports of goods and services recorded a notable decrease of 14,1%, whereas exports recorded a smaller decrease of around 4,2%.

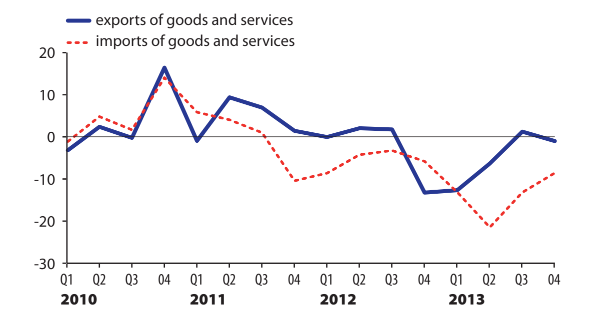
Based on recent preliminary data, for the first quarter of 2014 a further deterioration was recorded with GDP registering an annual decline of about 4%. In particular, negative growth rates were recorded in the secondary sector of the economy (industry and construction) as well as in banking, tourism, transport, trade and other services.

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




Source: Cystat.

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




Source: Cystat.

## Domestic demand

Domestic demand contracted by 10,1% in 2013, while recent economic indicators point towards an improvement for the first months of 2014 (**Table A.8**).

More specifically, the economic sentiment indicator increased from 90,3 in December 2013 to 97,3 in April 2014. At the same time, retail sales continued their downward trend but at a smaller pace relative to the first months of 2013 (**Chart A.31**). Tourist arrivals recorded a small increase in the first quarter of 2014 of the order of 1,4%. As mentioned above, revenue from tourism increased by 4,7% in the first two months of 2014. Several domestic economic indicators recorded an increase during the period under review mainly as a result of the base effect from reduced economic activity post - March 2013. Registration of motor vehicles showed an increase of 1,3% in the first quarter of 2014 (**Chart A.32**). Regarding the use of credit cards in Cyprus, an increase of the order of 7,3% was recorded in the first quarter of 2014 (**Chart A.33**, p. 45). Furthermore, foreign credit card spending in Cyprus increased by 19,2% during the first four months of the year. In contrast, private sector borrowing continued its downward trend as a result of the correction of the balance sheets of banks and the efforts of households to deleverage. Nevertheless, private consumption is not as negative as one would expect due to the smoothing of consumption by the partial use of savings.

## Construction

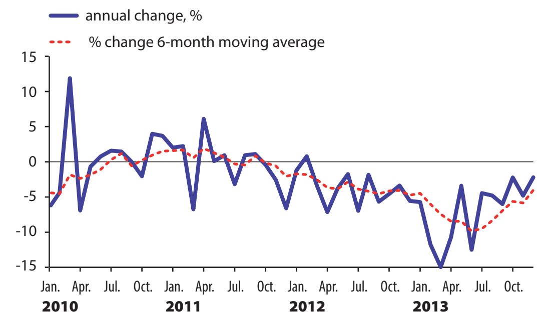
The downturn in the economy and the measures imposed in the financial sector had an impact on both property prices and the construction sector. Signs of recession

TABLE A.8 **Business and consumer surveys: confidence indicators**
(for sub-indices: difference between percentages of positive answers and percentage of negative answers)

| | 2013 Dec. | 2014 Jan. | 2014 Feb. | 2014 Mar. | 2014 Apr. |
|---|---|---|---|---|---|
| ESI | 90,3 | 91,3 | 92,9 | 93,5 | 97,3 |
| Industry | -15 | -13 | -13 | -13 | -9 |
| Services | -24 | -17 | -17 | -12 | 0 |
| Consumer | -44 | -47 | -39 | -39 | -38 |
| Retail trade | -19 | -18 | -18 | -23 | -10 |
| Construction | -55 | -58 | -54 | -50 | -43 |

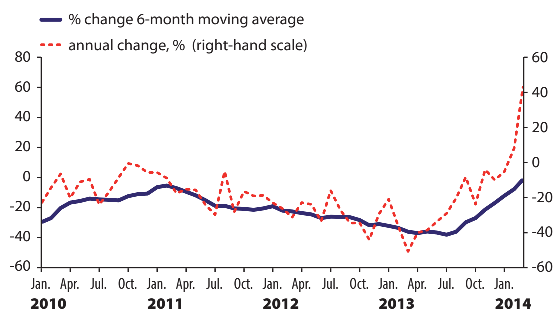
Source: European Commission.
Note: Seasonally adjusted data.

CHART A.31 **Retail sales (excluding motor vehicles)**




Source: Cystat.

CHART A.32 **Registration of motor vehicles**




Source: Cystat.

continued to be recorded during the first months of 2014. Nevertheless, the gradual relaxation of restrictions on capital movements set by the Ministry of Finance and the CBC after the decision of the Eurogroup, the relaxation of lending criteria[9] and the marginal reduction in interest rates[10], are expected to have a positive impact of the construction industry and the real estate market in general.

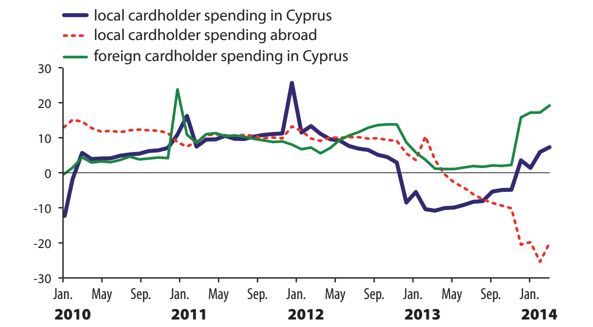
In relation to specific indicators, domestic sales of cement recorded an annual decrease of 22,4% in the first four months of 2014 compared with a decrease of 24,4% in the corresponding period of 2013 (**Chart A.35**). Furthermore, as shown by the data recorded in the first two months of 2014, building permits have registered a decrease of 16,9% compared with 18,4% in the corresponding period of 2013 (**Chart A.36**, p. 46), indicating that construction activity in the short run is expected to remain at low levels.

However, the price index of construction materials, showed a slight annual increase of 1,2% and 2,3% in the fourth quarter of 2013 and the first quarter of 2014, respectively. Additionally, the confidence indicator for the construction sector in Cyprus, as published by the Business and Consumer Surveys (BCS) of the European Commission, has improved significantly from -59,1 in 2013 to -51,5 in the first quarter of 2014 but remains negative (**Chart A.37**, p. 46).

The subdued property market is also reflected in data compiled by the Department of Lands and Surveys which show that during the first two months of

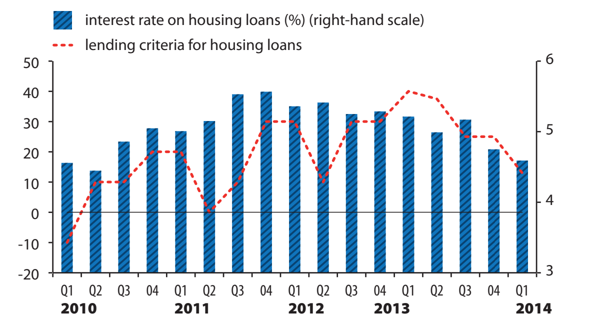
9. Further relaxation of the criteria for granting mortgage loans to potential buyers occurred in the first quarter of 2014 (Chart A.34), which according to the BLS were at level 13 compared to 25 during the third and fourth quarter of 2013.
10. Specifically, mortgage rates decreased marginally from 5,21% in the first quarter of 2013 and 4,75% in the fourth quarter of 2013 to 4,59% in the first quarter of 2014.

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



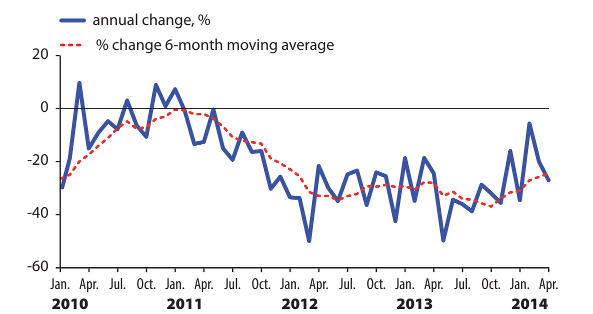

Source: JCC Payments System Ltd.

CHART A.34 **Lending criteria and interest rate on housing loans**




Source: CBC.

CHART A 35 **Sales of cement**




Source: Cystat.

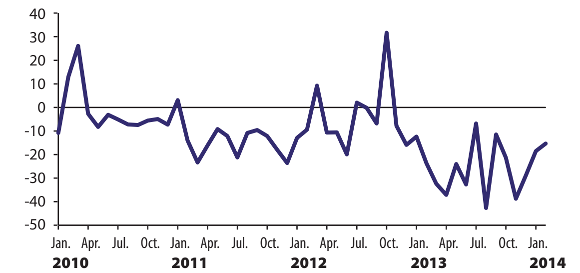
2014 the total number of sales contracts (domestic and foreign buyers) continued the downward trend observed throughout 2013. Nevertheless, in March and April 2014, annual increases of the order of 20,3% and 9,1%, respectively, were registered for the first time (**Chart A.38**). This was likely due to the gradual relaxation of restrictions on capital movements and the base effect associated with the events of March 2013.

## Labour market

In line with the contraction in economic activity, employment recorded a significant annual decrease of 5,4% in 2013 compared with a decline of 3,3% in 2012. Moreover, a significant increase in unemployment was also observed, combined with the significant decline in employment. More specifically, according to the Labour Force Survey (LFS) the unemployment rate in 2013 increased by 4,1 percentage points, reaching 15,9%, (**Chart A.39**, p. 47). The decrease in employment was also reflected in total hours worked, which registered a decrease of 5,9% in 2013 or a decrease of 0,5% per employee. More specifically, the hours per self-employed showed a marginal decline of 0,1%, while hours per employee fell by 0,7% during the period under review.

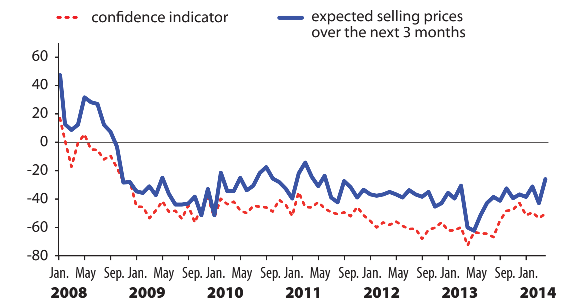
The increase in unemployment, as recorded by the LFS, are not fully reflected in the data of registered unemployment. Specifically, in 2013 the registered unemployed reached 46.800, whereas the LFS data recorded 70.800. The latest available data by Cystat covering the period up to April 2014, registered an annual growth of 3,4% in April (from 45,200 to 46,800 registered unemployed) compared to the corresponding

CHART A.36 **Building permits authorised**
(% change previous year)



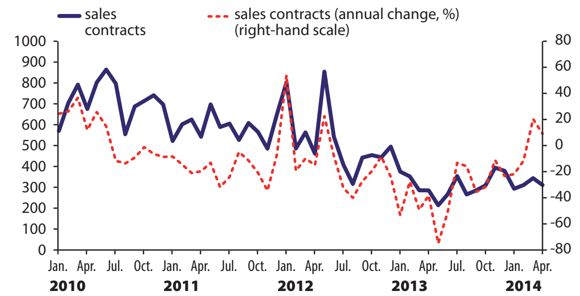

Source: Cystat.

CHART A.37 **Construction confidence indicators**




Source: EC.
Note: Seasonally adjusted data.

CHART A.38 **Sales contracts (total of locals and foreigners)**




Source: Department of Lands and Surveys.

1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

month of the previous year (**Chart A.40**). The discrepancy is due to the fact that new entrants to the labour market often do not register as unemployed because they do not expect to find a job. Furthermore, the long-term unemployed (unemployed for more than six months) who have exhausted their unemployment benefits do not have an incentive to register. According to LFS data as shown in **Chart A.41**, the unemployment rate with a duration of six months or more reached 10,2% in the last quarter of 2013, compared with 8,8% in the first quarter of 2012 and 6,9 % in the last quarter of 2012.

As regards the breakdown of the registered unemployed figures between Cypriot and non-Cypriot, the unemployment of Cypriots increased by 10,3% in April 2014 compared with the corresponding month of the previous year while unemployed non-Cypriots decreased by 16,7%. This suggests that foreign workers are leaving Cyprus.

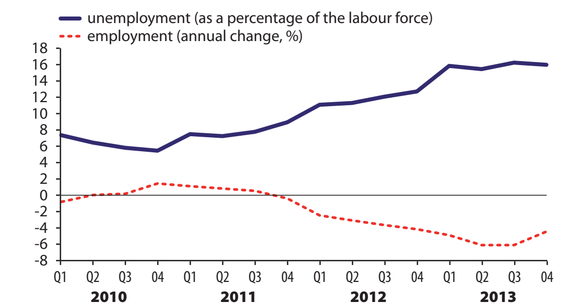
## 5. Domestic Fiscal Developments

### Fiscal developments in 2013

The budget deficit in 2013 showed an improvement of one percentage point compared with the corresponding period of the previous year, reaching 5,4% of GDP (**Chart A.42**). This development was mainly due to a more significant annual reduction in spending rather than revenue during the reporting period, as agreed with the Troika in the MoU. Moreover, the primary balance as a percentage of GDP showed an improvement of 1,2 percentage points in 2013, reaching 2%, compared with a deficit of 3,2% in 2012 (**Chart A.42**, p. 48).

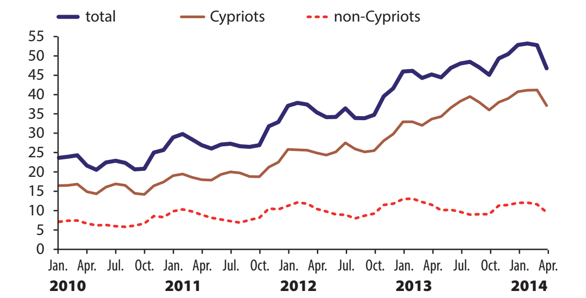
Based on annual general government revenue and expenditure data for 2013,

CHART A.39 **Unemployment and employment**




Source: Cystat (LFS).

CHART A.40 **Registered unemployment**
(number of unemployed, thousands)




Source: Cystat.

CHART A.41 **Unemployment by duration**
as a percentage of the labour force


Source: Cystat (LFS).

produced by Cystat, public revenues have recorded a 4,6% annual decline (**Chart A.43**), mainly due to the decrease in tax revenues resulting from the significant contraction in economic activity. At the same time, public spending recorded a significant annual decrease of 6,9% in 2013, reflecting reductions in all expenditure categories.

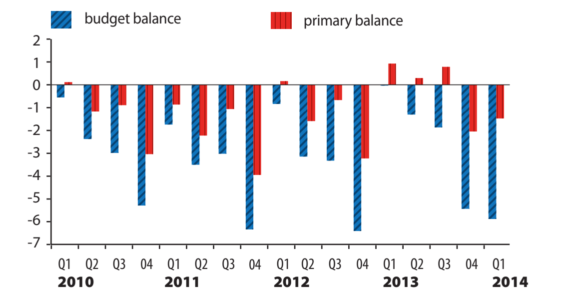
More specifically, as regards the revenue from direct taxes in the category "current taxes on income, wealth, etc.," it exhibited a 2,3% decrease in 2013 compared with 2012. According to the Department of Inland Revenue (IRD), although there was some improvement in tax revenues from enterprises as well as in the "other direct taxation" category, this was offset by a 24,1% fall in revenues from household direct taxation.The reductions in the aforementioned categories are primarily due to shrinkage in earnings and employment, both consequences of the economic downturn.

With regard to revenue from indirect taxes, as listed in the category "taxes on production and imports", there was a significant annual decrease of 9%. This is explained by the large annual decrease of 11,3% in VAT revenues during the period in question, mainly due to the continued negative growth rates of private consumption. It should be noted that this was despite the increase in the standard VAT rate to 18% from 1 January, 2013.

At the same time, decreases of 16,6% and 2,4% were recorded in the "property income" and "social contributions" categories, respectively.

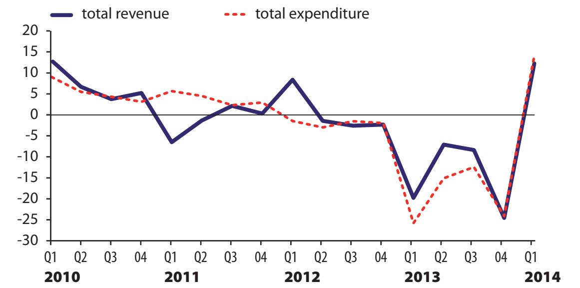
Regarding public spending, a significant annual reduction in expenditure of 6,9% in 2013 was due to decreases in almost all expenditure categories. This was owing to

CHART A.42 **Budget and primary balances of the general government**
(cumulative for the period as from Q1 as a percentage of GDP)




Sources: Cystat, CBC.

CHART A.43 **Total revenue and expenditure of the general government**
(cumulative for the period as from Q1, annual change, %)




Source: Cystat.

significant reductions in annual expenditure for “gross fixed capital formation less disposals” (61,1%), government investment expenditure (21,5%), and the classification of the one-off licensing fees for hydrocarbon exploration rights in the Cyprus Exclusive Economic Zone (EEZ) as negative capital expenditure, in accordance with the guidelines provided by Eurostat.

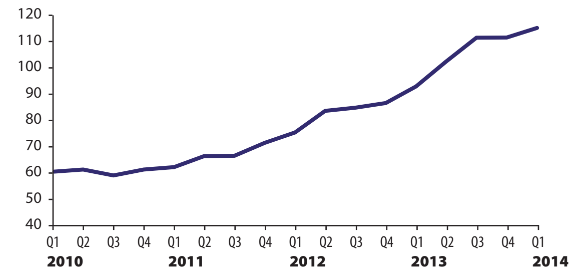
In addition, the recorded drop in expenditure was also due to the annual reduction of total "compensation of employees" by 8,9%, reflecting the cuts in salaries and pensions, as well as the reduction of employment in the public sector. It should be noted that the aforementioned reduction includes higher than expected costs for pensions and gratuities, reflecting the wave of early retirements.

Finally, the decline in expenditure was also partly due to the reduction of costs for 'intermediate consumption' by 14,3%, owing to lower than expected water purchases from desalination plants, as well as defence spending.

The general government consolidated gross debt-to-GDP ratio (**Chart A.44**) increased significantly to 111,7% in 2013 compared with 86,6% in 2012. This reflects the significant deficit-debt adjustment, which includes the €1,5 billion recapitalisation of the cooperative credit institutions (CCIs).

As regards the financing of the public debt, we should note the following: first, the disbursement of financial assistance from the ESM and the IMF totaling €4,9 billion by the end of 2013; second, the renewal on 1 July 2013 of the €1,9 billion bond issued for the capitalisation needs of the former Cyprus Popular Bank in June 2012, now owned by Bank of Cyprus; third, the completion by 1

CHART A 44 **General government consolidated gross debt**
(as a percentage of GDP )




Sources: Eurostat, Cystat, CBC.

1 Introduction
2 Macroeconomic Developements and Projections
3 Statistical Annex

### Box A.2: Public debt sustainability issues

The accumulation of government financing needs emanating from persistent budget deficits, leads to an increase in the public debt-to-GDP ratio[1]. It is generally assumed in the economic literature that a high public debt-to-GDP ratio may adversely affect the rate of long-term economic growth. Additionally, an excessively high debt-to-GDP ratio may lead to difficulties in securing adequate liquidity to cover government financing needs due to increased default risk related to debt repayment. Therefore, the level and sustainability of the public debt is of particular importance to an economy.

In light of the above, the European Commission established the Stability and Growth Pact (SGP), a framework aimed at ensuring fiscal discipline among member states. Under the SGP the debt-to-GDP ratio of member states should be below 60% and the budget deficit should not exceed 3% of GDP. In cases where a member state exceeds the pre-agreed limits, then the European Council will issue recommendations on how to tackle the problem, with non-compliance possibly resulting in penalties.

The concept of public debt sustainability, however, is not clearly defined and is open to interpretation. In general, public debt sustainability could be defined as the ability of a country to service its debt obligations over the long term (see, for example, Giammarioli et al., 2007)[2]. In cases of government borrowing in countries with financial problems and in need of fiscal adjustment, the concept of public debt sustainability is of particular importance.

For example, the sustainability of public debt in a euro area member state which is under to an economic adjustment programme is a key prerequisite in order to receive financial assistance from the European Union and the International Monetary Fund (IMF). The provision of financial assistance is based upon an analysis of a country's ability to finance its policy objectives and serve its debt obligations over the long-term, reducing the risks of economic instability.

The European Commission and the IMF have developed a formal framework for analysing the sustainability of public debt[3]. This framework is used by the Troika (i.e. the European Commission, the ECB and the IMF) during the quarterly reviews of the implementation of the economic adjustment programmes and is an important tool to help detect, prevent and address potential risks. Note that, according to the Memorandum of Understanding (MoU) agreed in April 2013, the public debt sustainability analysis for

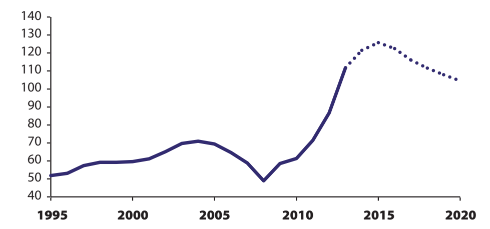
1. The general government debt (the so-called consolidated gross debt) consists of the aggregate debt of central government and local authorities, excluding intra-governmental debt, which comprises of contributions of the social security funds and administered funds to central government.
2. Giammarioli, N., C. Nickel, P. Rother and J.P. Vidal (2007) "Assessing fiscal soundness - theory and practice", ECB Occasional Paper No. 56.
3. http://www.imf.org/external/pubs/ft/dsa/mac.htm

Cyprus points to the achievement of a public debt-to-GDP ratio of 100% in 2020[4].

In general, the public debt sustainability of a country depends on the implicit interest rate for servicing public debt, the evolution of fiscal and macroeconomic variables, namely the level of the primary balance[5] and the rate economic growth, as well as certain other factors incorporated in the deficit-debt adjustment[6,7]. As shown in the relevant equation of footnote 7, the change in the debt-to-GDP ratio is proportional to the implicit interest rate and inversely proportional to the rate of nominal GDP growth and the primary balance.

**Chart 1** shows the evolution of public debt until 2013 and the relevant forecasts of our international partners for the period 2014-2020 as per the third quarterly review mission assessment of Cyprus's economic adjustment programme. The chart highlights the fact that public debt more than doubled from 2008 onwards but also demonstrates the downward trajectory expected to be followed as from 2015.

CHART 1 **General government consolidated gross debt**
(as a % of GDP)




Sources: Cystat for the year 1995-2013, MoU 3rd review.

The economic adjustment programme includes many safeguards aimed at preserving the sustainability of public debt.

With regard to interest rates and the liquidity management of the government

4. The relevant report for the Hellenic Republic envisages a public debt-to-GDP ratio of 120% in 2020.
5. The primary balance is defined as the budget balance excluding interest payments for servicing public debt.
6. The deficit-debt adjustment relates to transactions or other factors affecting the stock of public debt, but which are not recorded as part of the primary deficit. This may include, for example, proceeds from privatisation, acquisition of shares in companies which are treated as financial transactions as well as contingent liabilities arising from government guarantees, for example, to the financial sector or to state-owned enterprises.
7. More specifically, the dynamics of the accumulation of public debt, as a percentage of GDP, are expressed by the following equation:

$$\Delta b_t = \frac{i_t - g_t}{1 + g_t} b_{t-1} - p_t + dda_t$$

where:
$b$ = public debt as a percentage of GDP
$i$ = implicit interest rate for servicing public debt
$g$ = annual growth of nominal GDP
$p$ = primary balance as a percentage of GDP
$dda$ = deficit-debt adjustment as a percentage of GDP.
The equation is based on the original public debt evolution equation in nominal terms ($B_t + (1 + i)B_{t-1} - P_t + DDA_t$), after all parts of the equation are divided by nominal GDP and the necessary mathematical adjustments are made.

needs to ensure adequate funding, the programme relates to the provision of long-term loans from international lenders with low interest rates, the re-profiling and reduction of the interest rate on the existing loan from the Russian Federation, the re-profiling of domestic debt worth €1 billion with bonds of longer maturity through a voluntary bond exchange, the renewal of the government security worth €1,9 billion issued in 2012 to recapitalise the former Cyprus Popular Bank as well as the renewal of short-term debt worth €1 billion in the domestic market.

In relation to the evolution of the primary balance, the fiscal adjustment programme, although ambitious, is achievable and is associated with the conversion of the primary deficit into a surplus in 2016 and the achievement of a primary surplus target of 4% of GDP from 2018 onwards. To achieve this fiscal adjustment path, the Republic of Cyprus undertook to implement a consolidation package amounting to about 12% of GDP over the period 2013-2018. As part of this package, measures amounting to around 5% of GDP were legislated in December 2012. Further fiscal measures worth 2,2% of GDP were adopted as a prior action in April 2013. Finally, the MoU commits the Republic of Cyprus, to identify additional measures of the order of 4,7% of GDP in order to be implemented over the period 2015-2018. It should be noted that due to the better-than-forecasted fiscal results for 2013, the overall yield of the additional measures still to be identified could be less than originally anticipated.

Regarding structural measures and other reforms included in the economic adjustment programme, such as the removal of barriers to the development of services these measures could have a significant impact on public debt sustainability either directly through increased public revenues or indirectly by contributing to the rate of economic growth.

In addition to the aforementioned factors, the economic adjustment programme includes other measures aimed at supporting the sustainability of public debt. Specifically, these are: the privatisation proceeds amounting to €1 billion by the end of the programme and an additional €400 million by 2018; a contribution from the CBC to the government in the form of dividend income amounting to €400 million and an exchange of part of the loan granted by the CBC to the government before joining the European Union in 2004 with other assets.

It should be noted that any benefits emanating from the exploitation of offshore gas fields are not incorporated in the Troika forecasts. If the expectations associated with these benefits are realised, this could lead to a stronger and more rapid recovery of the economy due to the increase in revenues and investments that are expected to arise in such a case over the medium- and long-erm. Such revenues would also have a significant impact on the course of public debt and restore it to even lower and more sustainable levels.

July2013, of the MoU obligation regarding the exchange of €1 billion of domestic bonds maturing between 2013-2016 with new bonds of equal coupons maturing between 2019-2023 (**Box A.2**, p. 50).

### Current fiscal developments

Regarding fiscal developments during the first quarter of 2014, and based on Cystat preliminary data, general government revenue and expenditure exhibited a slight deterioration, with the budget balance as a percentage of GDP recording a deficit of 0,2% of GDP in the first quarter of 2014, compared with balanced fiscal accounts in the corresponding period last year (**Table A.9**).

It should be noted that because of the extraordinary circumstances in the banking system in the second half of March, the first quarter of 2013 has a base effect problem, which largely explains some of the major annual changes in comparison with the first quarter of 2014.

The revenue-to-GDP ratio improved in the first quarter of 2014, reaching 9,9% compared with 8,4% in the corresponding quarter of 2012 (**Table A.9**). The "taxes on production and imports" category grew by 24,8% in the first quarter of 2014 in relation to the same period last year. This improvement was mainly due to improved VAT revenues which increased by 24%. Improvement was also observed in the category "current taxes on income, wealth, etc", where there was a year-on year increase of 9,3%. in the first quarter of 2014 compared with the first quarter of 2013. This change was mainly due to the expansion of tax coverage in the private sector as well as the increase in corporate tax from 10% to 12,5%. The decrease of 57,4% in the category

TABLE A.9 **Accounts of general government**

| | Jan.- Sep. 2012 (€ milion) | Jan.- Sep. 2013 (€ milion) | Change |
|---|---|---|---|
| **EXPENDITURE** | | | |
| Intermediate consumption | 138,7 | 142,4 | 2,7 |
| Capital formation less disposals[1] | -126,8 | 34,2 | -127,0 |
| Compensation of employees | 608,3 | 532,0 | -12,5 |
| Other taxes on production | 0,0 | 0,0 | 0,0 |
| Subsidies payable | 31,1 | 32,3 | 3,9 |
| Interest paid | 158,7 | 135,4 | -14,7 |
| Social benefits | 449,5 | 605,9 | 34,8 |
| Other current transfers | 113,9 | 99,4 | -12,7 |
| Capital transfers payable | 26,3 | 15,6 | -40,7 |
| **Total expenditure** | **1.399,7** | **1.597,2** | **14,1** |
| **Total expenditure as a % of GDP** | **8,5** | **10,1** | |
| **REVENUE** | | | |
| Market output & output for own final use | 81,4 | 107,0 | 31,4 |
| Taxes on production and imports | 445,7 | 556,3 | 24,8 |
| of which VAT | 244,8 | 303,5 | 24,0 |
| Property income receivable | 92,2 | 39,3 | -57,4 |
| Current taxes on income, wealth, etc | 407,9 | 445,9 | 9,3 |
| Social contributions receivable | 345,7 | 379,8 | 9,9 |
| Other current transfers receivable | 20,9 | 36,5 | 74,6 |
| Capital transfers receivable | 0,6 | 0,8 | 33,3 |
| **Total revenue** | **1.394,4** | **1.565,6** | **12,3** |
| **Total revenue as a % of GDP** | **8,4** | **9,9** | |
| Surplus (+) / Deficit (-) | -5,3 | -31,6 | |
| Surplus (+) / Deficit (-) % of GDP | 0,0 | -0,2 | |

Sources: Cystat, CBC.
1. Includes fees from the EEZ recorded as negative capital expenditure for 2013 according to Eurostat.

"income property" should also be noted, which was due to the different timing of the dividend payment by the CBC.

As regards public expenditure (**Table A.9**, p. 53), this increased significantly as a percentage of GDP, from 8,5% in the first quarter of 2013 to 10,1% in the first quarter of 2014. This was mainly due to an increase of 127% in the category "gross fixed capital formation less disposals" in the first quarter of 2014 compared with the same period last year, due to the base effect of the classification of income from the licensing fees for hydrocarbon exploration rights in the Cyprus EEZ as negative expenditure. Also, a year-on-year 34,8% increase in expenditure for social benefits was recorded, due to the proliferation of unemployment and redundancy payments, as well as the acceleration of the approval process for redundancy applications. The reduction in expenditure on compensation of employees by 12,5% in the first quarter of 2014 compared with the same quarter of 2013, should also be noted. This was due to the 3% flat reduction in earnings and occupational pensions.

## 6. Macroeconomic Forecasts as Recorded in the MoU

Regarding the economic forecasts for 2014-2016, we have adopted the MoU projections during the Troika's fourth assessment of the economy. The macroeconomic forecasts included in the fourth assessment are considered to be more positive than those in the third assessment. Based on the concluding statement of the fourth assessment, the contraction of the economy in 2014 is expected to be milder and to grow at 4,2%, compared with 4,8% in the third evaluation.

This is the result of the better than expected results for 2013 and other recent indicators. It should be noted, however, that according to Cystat's preliminary estimate for the first quarter of 2014, GDP seems to be more positive, with the projected contraction at only 4%, while the base effect in subsequent quarters of the year may, *ceteris paribus*, contribute to lower reductions. Furthermore, the more positive picture reported by various domestic demand indicators for the early months of 2014 is also a factor that is consistent with a milder trend of GDP for the rest of the year. As regards 2015, the forecast was revised down to 0,4%. Inflation will continue to be subdued in line with the fourth assessment. It should be noted, however, that recent data available up to April 2014 indicate a more subdued path for prices than that expected for the entire year. In fact, April recorded a decline in prices of 0,4%.

## 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. **Table B.2** shows 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. Since January 2006, only part of the imputed rents is included in the national CPI.

**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 in metric tons.

**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 and water supply, 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.1 **Exchange rates of selected currencies against the euro**

| | USD/EUR | GBP/EUR | JPY/EUR |
|---|---|---|---|
| Average for January | 1,3623 | 0,8269 | 141,5061 |
| Average for February | 1,3670 | 0,8252 | 139,5885 |
| Average for March | 1,3826 | 0,8321 | 141,5157 |
| Average for April | 1,3811 | 0,8247 | 141,5700 |
| Average for May (until 16 May) | 1,3803 | 0,8183 | 140,6875 |
| Average for Jan-May (until 16 May) | 1,3740 | 0,8261 | 141,0309 |
| Closing rate on 31/12/2013 | 1,3743 | 0,8302 | 144,7300 |
| Closing rate on 16/05/2014 | 1,3694 | 0,8145 | 139,0000 |
| Highest exchange rate vs. the euro | 1,3934 | 0,8398 | 144,8400 |
| | 18-Mar | 18-Mar | 1-Jan |
| Lowest exchange rate vs. the euro | 1,3934 | 0,8398 | 144,8400 |
| | 31-Jan | 13&16-May | 3-Feb |
| % appreciation (+)/depreciation (-) of the currency vs. the euro from closing rate on 31/12/2013 to closing rate on 16/05/2014 | -0,4% | -1,9% | -4,0% |

Source: Bloomberg.

## Table B.2 **Percentage change in CPI by economic category**

| | | 2011 | 2012 | 2013 | April 2013/12 | March 2014/13 | April 2014/13 | Jan. - Apr. 2013/12 | Jan.-Mar. 2014/13 | Jan. - Apr. 2014/13 | Weights 2005=100 (for 2008-2010) | Weights 2005=100 (for 2011 - 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **GENERAL INDEX** | | **3,29** | **2,39** | **-0,40** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** | **100,00** | **100,00** |
| **A** | **Domestic products** | **11,04** | **6,70** | **-1,57** | **-0,37** | **-6,66** | **-4,82** | **1,45** | **-6,65** | **-6,20** | **28,98** | **20,52** |
| A.1 | Agricultural | -1,57 | -1,29 | -1,02 | -0,80 | -9,30 | -5,67 | -2,50 | -7,93 | -7,37 | 6,93 | 5,96 |
| A.2 | Industrial | 12,54 | 3,39 | 1,36 | 1,76 | 0,40 | -0,21 | 2,89 | -0,32 | -0,29 | 19,29 | 11,37 |
| A.3 | Electricity | 14,86 | 27,23 | -8,72 | -4,64 | -19,65 | -14,79 | 2,92 | -19,59 | -18,42 | 2,76 | 3,19 |
| **B** | **Petroleum products** | **19,25** | **7,94** | **3,31** | **0,40** | **-1,00** | **0,14** | **5,37** | **-0,27** | **-0,17** | **6,63** | **5,50** |
| **C** | **Imported products** | **2,77** | **-0,55** | **-0,17** | **-1,33** | **0,55** | **0,53** | **0,26** | **-0,68** | **-0,37** | **24,62** | **31,74** |
| C1 | Motor vehicles | -0,63 | -0,64 | -0,01 | -0,32 | -2,47 | -2,52 | 0,17 | -2,45 | -2,47 | 5,41 | 6,48 |
| C2 | Other imported products | 3,16 | -0,54 | -0,20 | -1,53 | 1,17 | 1,16 | 0,28 | -0,30 | 0,07 | 19,21 | 25,26 |
| **D** | **Services** | **1,61** | **0,96** | **-0,49** | **0,25** | **-1,66** | **-1,35** | **0,56** | **-1,74** | **-1,64** | **39,77** | **42,24** |
| | **HICP** | **3,5** | **3,1** | **0,4** | **0,1** | **-0,9** | **-0,4** | **1,3** | **-1,2** | **-1,0** | | |

Source: Cystat.

## Table B.3 **Weighted contribution to the total percentage change in CPI by economic category**

(%)

| | | 2011 | 2012 | 2013 | April 2013/12 | March 2014/13 | April 2014/13 | Jan. - Apr. 2013/12 | Jan.-Mar. 2014/13 | Jan. - Apr. 2014/13 | Weights 2005=100 (for 2008-2010) | Weights 2005=100 (for 2011 - 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **GENERAL INDEX** | **3,29** | **2,39** | **-0,4** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** | **100,00** | **100,00** |
| **A** | **Domestic products** | **2,43** | **1,58** | **-0,39** | **-0,09** | **-1,65** | **-1,18** | **0,36** | **-1,65** | **-1,53** | **28,98** | **20,52** |
| A.1 | Agricultural | -0,11 | -0,09 | -0,06 | -0,05 | -0,60 | -0,36 | -0,17 | -0,51 | -0,47 | 6,93 | 5,96 |
| A.2 | Industrial | 1,44 | 0,42 | 0,17 | 0,22 | 0,05 | -0,03 | 0,36 | -0,04 | -0,04 | 19,29 | 11,37 |
| A.3 | Electricity | 0,61 | 1,24 | -0,49 | -0,26 | -1,10 | -0,79 | 0,16 | -1,10 | -1,02 | 2,76 | 3,19 |
| **B** | **Petroleum products** | **1,14** | **0,54** | **0,24** | **0,03** | **-0,08** | **0,01** | **0,39** | **-0,02** | **-0,01** | **6,63** | **5,50** |
| **C** | **Imported products** | **0,74** | **-0,15** | **-0,04** | **-0,35** | **0,14** | **0,14** | **0,07** | **-0,17** | **-0,09** | **24,62** | **31,74** |
| C1 | Motor vehicles | -0,03 | -0,03 | 0,00 | -0,01 | -0,11 | -0,11 | 0,01 | -0,11 | -0,11 | 5,41 | 6,48 |
| C2 | Other imported products | 0,88 | -0,15 | -0,05 | -0,33 | 0,25 | 0,25 | 0,07 | -0,08 | 0,02 | 19,21 | 25,26 |
| **D** | **Services** | **0,70** | **0,41** | **-0,21** | **0,11** | **-0,70** | **-0,57** | **0,24** | **-0,73** | **-0,69** | **39,77** | **42,24** |

Source: Cystat.

## Table B.4 **Percentage change in the CPI by category of goods and services**

| | 2011 | 2012 | 2013 | April 2013/12 | March 2014/13 | April 2014/13 | Jan.-Apr. 2013/12 | Jan.-Mar. 2014/13 | Jan.-Apr. 2014/13 |
|---|---|---|---|---|---|---|---|---|---|
| **GENERAL INDEX** | **3,29** | **2,39** | **-0,40** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** |
| Food and non-alcoholic beverages | 4,07 | 0,82 | 0,22 | 0,50 | -2,96 | -2,05 | 0,24 | -3,17 | -2,90 |
| Alcoholic beverages and tobacco | 11,13 | 3,19 | 8,58 | 8,11 | 3,53 | 3,38 | 9,80 | 1,33 | 1,84 |
| Clothing and footwear | -0,49 | -2,75 | -2,73 | -6,89 | 5,39 | 5,39 | -3,18 | 2,24 | 3,08 |
| Housing, water, electricity and gas | 10,43 | 11,33 | -3,99 | -1,97 | -9,36 | -7,24 | 1,93 | -9,18 | -8,70 |
| Furnishings, household equipment and supplies | 2,46 | 0,08 | -1,09 | -0,74 | -2,42 | -2,93 | -0,25 | -2,70 | -2,76 |
| Health | 2,75 | 0,56 | -2,50 | -1,76 | -3,30 | -2,35 | -0,92 | -3,41 | -3,14 |
| Transport | 2,95 | 3,08 | 2,21 | 1,01 | 0,86 | 1,67 | 3,57 | 0,53 | 0,81 |
| Communications | 0,45 | 1,08 | 0,97 | 0,57 | 0,82 | 0,88 | 1,29 | 0,85 | 0,86 |
| Recreation and culture | 1,79 | 0,65 | -0,11 | 0,62 | -1,50 | -1,52 | 0,93 | -1,38 | -1,42 |
| Education | 3,18 | 2,41 | -0,74 | 0,67 | -4,32 | -4,20 | 0,77 | -4,25 | -4,23 |
| Restaurants and hotels | 1,48 | 1,06 | 0,39 | 0,64 | -1,51 | -1,60 | 0,68 | -1,49 | -1,52 |
| Miscellaneous goods and services | -1,13 | 0,35 | 0,86 | 1,13 | -1,41 | -1,03 | 1,13 | -0,96 | -0,98 |

Source: Cystat.

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

| | 2011 | 2012 | 2013 | April 2013/12 | March 2014/13 | April 2014/13 | Jan.-Apr. 2013/12 | Jan. - Mar. 2014/13 | Jan.-Apr. 2014/13 |
|---|---|---|---|---|---|---|---|---|---|
| **GENERAL INDEX** | **3,29** | **2,39** | **-0,40** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** |
| Food and non-alcoholic beverages | 0,71 | 0,14 | 0,04 | 0,09 | -0,52 | -0,36 | 0,04 | -0,56 | -0,51 |
| Alcoholic beverages and tobacco | 0,22 | 0,07 | 0,19 | 0,18 | 0,08 | 0,08 | 0,21 | 0,03 | 0,04 |
| Clothing and footwear | -0,03 | -0,18 | -0,17 | -0,47 | 0,33 | 0,34 | -0,19 | 0,13 | 0,18 |
| Housing, water, electricity and gas | 1,35 | 1,56 | -0,60 | -0,30 | -1,42 | -1,08 | 0,29 | -1,39 | -1,32 |
| Furnishings, household equipment and supplies | 0,17 | 0,01 | -0,07 | -0,05 | -0,16 | -0,20 | -0,02 | -0,18 | -0,18 |
| Health | 0,20 | 0,04 | -0,18 | -0,12 | -0,23 | -0,16 | -0,06 | -0,24 | -0,22 |
| Transport | 0,40 | 0,42 | 0,31 | 0,14 | 0,12 | 0,24 | 0,49 | 0,07 | 0,11 |
| Communications | 0,02 | 0,04 | 0,04 | 0,02 | 0,03 | 0,03 | 0,05 | 0,03 | 0,03 |
| Recreation and culture | 0,11 | 0,04 | -0,01 | 0,04 | -0,09 | -0,09 | 0,05 | -0,08 | -0,08 |
| Education | 0,13 | 0,10 | -0,03 | 0,03 | -0,18 | -0,17 | 0,03 | -0,18 | -0,18 |
| Restaurants and hotels | 0,13 | 0,09 | 0,03 | 0,06 | -0,13 | -0,14 | 0,06 | -0,13 | -0,13 |
| Miscellaneous goods and services | -0,10 | 0,03 | 0,07 | 0,09 | -0,12 | -0,09 | 0,09 | -0,08 | -0,08 |

Source: Cystat.

Table B.6 **Percentage change in prices of services**

| | April 2013/12 | March 2014/13 | April 2014/13 | Jan. - Apr. 2013/12 | Jan. - Mar. 2014/13 | Jan. - Apr. 2014/13 |
|---|---|---|---|---|---|---|
| **GENERAL INDEX** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** |
| Rents | -4,72 | -8,57 | -7,42 | -3,63 | -8,14 | -7,96 |
| Maintenance of houses | -0,09 | -1,75 | -1,86 | -0,09 | -1,73 | -1,77 |
| Transport | 3,34 | 5,72 | 7,06 | 4,00 | 2,37 | 3,56 |
| Communications | 0,84 | 1,32 | 1,34 | 1,61 | 1,32 | 1,33 |
| Insurance | 3,61 | -1,33 | -1,34 | 2,70 | -0,16 | -0,46 |
| Public services | 2,68 | 9,32 | 9,32 | 2,97 | 9,32 | 9,32 |
| Education | 0,67 | -4,32 | -4,20 | 0,77 | -4,25 | -4,23 |
| Medical care | -1,97 | -4,24 | -2,99 | -0,95 | -4,29 | -3,96 |
| Restaurants and coffee shops | 0,58 | -1,66 | -1,56 | 0,70 | -1,61 | -1,60 |
| Personal and household services | 0,61 | -1,67 | -1,90 | 0,62 | -1,51 | -1,61 |
| **Total services** | **0,25** | **-1,66** | **-1,35** | **0,56** | **-1,74** | **-1,64** |

Source: Cystat.

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

| | April 2013/12 | March 2014/13 | April 2014/13 | Jan. - Apr. 2013/12 | Jan. - Mar. 2014/13 | Jan. - Apr. 2014/13 |
|---|---|---|---|---|---|---|
| **GENERAL INDEX** | **-0,30** | **-2,29** | **-1,60** | **1,05** | **-2,58** | **-2,33** |
| Rents | -0,14 | -0,25 | -0,21 | -0,11 | -0,23 | -0,23 |
| Maintenance of houses | 0 | -0,04 | -0,05 | 0 | -0,04 | -0,04 |
| Transport | 0,09 | 0,15 | 0,19 | 0,10 | 0,02 | 0,09 |
| Communications | 0,03 | 0,05 | 0,05 | 0,06 | 0,05 | 0,05 |
| Insurance | 0,07 | -0,03 | -0,03 | 0,06 | 0,01 | -0,01 |
| Public services | 0,03 | 0,12 | 0,12 | 0,04 | 0,12 | 0,12 |
| Education | 0,03 | -0,18 | -0,17 | 0,03 | -0,18 | -0,18 |
| Medical care | -0,11 | -0,23 | -0,16 | -0,05 | -0,23 | -0,21 |
| Restaurants and coffee shops | 0,05 | -0,14 | -0,14 | 0,06 | -0,14 | -0,14 |
| Personal and household services | 0,05 | -0,15 | -0,17 | 0,06 | -0,13 | -0,14 |
| **Total services** | **0,11** | **-0,70** | **-0,57** | **0,24** | **-0,73** | **-0,69** |

Source: Cystat.

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

| | 2012 (prov.) | | | 2013 (prov.) | | |
|---|---|---|---|---|---|---|
| | CREDIT | DEBIT | NET | CREDIT | DEBIT | NET |
| **CURRENT ACCOUNT** | **10.790,9** | **12.008,0** | **-1.217,1** | **9.423,3** | **9.733,4** | **-310,1** |
| **GOODS, SERVICES AND INCOME** | **10.274,6** | **11.276,5** | **-1.001,9** | **9.059,9** | **9.199,2** | **-139,4** |
| **GOODS AND SERVICES** | **7.606,5** | **8.152,4** | **-545,9** | **7.251,4** | **6.938,9** | **312,5** |
| **GOODS** | **1.439,8** | **5.295,7** | **-3.855,9** | **1.501,3** | **4.441,8** | **-2.940,5** |
| **SERVICES** | **6.166,7** | **2.856,6** | **3.310,0** | **5.750,2** | **2.497,1** | **3.253,0** |
| Transport | 1.431,1 | 1.111,6 | 319,4 | 1.379,1 | 995,5 | 383,6 |
| Travel | 2.022,6 | 1.004,0 | 1.018,6 | 2.181,4 | 919,2 | 1.262,3 |
| Communications services | 64,4 | 135,1 | -70,7 | 52,5 | 120,1 | -67,6 |
| Construction services | 51,6 | 9,6 | 42,0 | 28,9 | 14,1 | 14,8 |
| Insurance services | 28,4 | 32,6 | -4,2 | 18,2 | 31,5 | -13,4 |
| Financial services | 502,9 | 126,0 | 376,9 | 327,1 | 68,6 | 258,6 |
| Computer and information services | 42,5 | 23,4 | 19,1 | 33,7 | 28,4 | 5,3 |
| Royalties and licence fees | 1,1 | 21,0 | -19,9 | 2,5 | 22,4 | -20,0 |
| Other business services | 1.884,2 | 279,5 | 1.604,7 | 1.600,3 | 190,6 | 1.409,7 |
| Personal, cultural and recreational services | 24,4 | 45,9 | -21,5 | 19,6 | 36,4 | -16,8 |
| Government services, n.i.e. | 113,5 | 67,8 | 45,7 | 106,9 | 70,3 | 36,5 |
| Services not allocated | 0 | 0 | 0 | 0 | 0 | 0 |
| **INCOME** | **2.668,1** | **3.124,1** | **-456.0** | **1,808,4** | **2.260,3** | **-451,9** |
| Compensation of employees | 31,2 | 257,4 | -226,2 | 15,5 | 268,4 | -252,9 |
| Investment income | 2.636,9 | 2.866,8 | -229,9 | 1.792,9 | 1.991,9 | -199,0 |
| Direct investment income | 168,0 | 860,0 | -692,0 | -48,8 | 423,7 | -472,5 |
| Portfolio investment income | 630,2 | 195,5 | 434,7 | 436,7 | 120,8 | 316,0 |
| Other investment income | 1.838,7 | 1.811,2 | 27,5 | 1.405,0 | 1.447,4 | -42,5 |
| **CURRENT TRANSFERS** | **516,2** | **731,5** | **-215,2** | **363,5** | **534,2** | **-170,8** |
| General government | 132,9 | 193,3 | -60,4 | 141,5 | 185,7 | -44,2 |
| Other sectors | 383,3 | 538,2 | -154,8 | 222,0 | 348,5 | -126,6 |
| **CAPITAL AND FINANCIAL ACCOUNT** | | | **870,6** | **255,8** | **11,7** | **748,8** |
| Capital account | 38,7 | 15,3 | 23,4 | | | 244,2 |
| Financial account | | | 847,2 | | | 504,6 |
| Direct investment | | | 1.197,5 | | | 169,3 |
| Abroad | | | 218,9 | | | -232,3 |
| In Cyprus | | | 978,6 | | | 401,6 |
| Portfolio investment | | | 5.340,5 | | | 11.733,7 |
| Assets | | | 6.560,9 | | | 12.049,2 |
| Liabilities | | | 1.220,4 | | | -315,4 |
| Financial derivatives | | | -870,3 | | | -55,0 |
| Other investment | | | -4.877,3 | | | -11.373,3 |
| Assets | | | -4.363,1 | | | 8.121,1 |
| Liabilities | | | -514,1 | | | -19.494,4 |
| Official reserve assets | | | 56,8 | | | 29,8 |
| **Net errors and omissions** | | | **346,5** | | | **-438,6** |

Source: CBC.

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

| | 2012 | 2013 | % change | 2013 Jan.-Feb. | 2014 Jan.-Feb. | % change |
|---|---|---|---|---|---|---|
| Imports | 5.742,2 | 4.810,5 | -16,2 | 803,2 | 729,1 | -9,2 |
| Consumer goods | 1.870,0 | 1.712,1 | -8,4 | 255,4 | 251,0 | -1,7 |
| Intermediate inputs | 1.354,5 | 1.159,4 | -14,4 | 208,2 | 181,1 | -13,0 |
| Capital goods | 351,9 | 276,0 | -21,6 | 49,0 | 40,7 | -16,9 |
| Transport equipment | 421,0 | 264,8 | -37,1 | 53,0 | 48,7 | -8,1 |
| Fuels and lubricants | 1.728,7 | 1.393,1 | -19,4 | 236,5 | 206,5 | -12,7 |
| Exports | 1.422,4 | 1.611,6 | 13,3 | 226,0 | 217,0 | -4,0 |
| Trade deficit | 4.319,8 | 3.198,9 | -25,9 | 577,2 | 512,1 | -11,3 |

Source: Cystat.

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

| | Net capital flows | | | | |
|---|---|---|---|---|---|
| **Economic activity** | **2008** | **2009** | **2010** | **2011** | **2012** |
| MINING AND QUARRYING | C | C | 0 | 0 | 0 |
| MANUFACTURING | 0,6 | 8,8 | 87,4 | C | -10,0 |
| ELECTRICITY,GAS, STEAM AND AIR CONDITIONING SUPPLY | C | C | C | C | C |
| WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES | 0 | 0 | 0 | 0 | 0 |
| CONSTRUCTION | 40,6 | 10,4 | 2,6 | 0 | C |
| TOTAL SERVICES | 921,7 | 2.480,0 | 393,4 | 1.812,0 | 966,0 |
| WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES | 55,0 | 685,3 | 15,5 | 420,0 | -294,0 |
| TRANSPORTATION AND STORAGE | 15,1 | -6,4 | -1,9 | -1,0 | 1,0 |
| ACCOMODATION AND FOOD SERVICE ACTIVITIES | 1,5 | 5,8 | -1,0 | -2,0 | 2,0 |
| INFORMATION AND COMMUNICATION | 8,4 | 46,1 | 9,7 | -23,0 | -25,0 |
| FINANCIAL AND INSURANCE ACTIVITIES | 396,7 | 1.406,9 | 196,9 | 982,0 | 1.186,0 |
| PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | 4,3 | 66,4 | 109,6 | 359,0 | 62,0 |
| SCIENTIFIC RESEARCH AND DEVELOPMENT | C | C | C | C | C |
| ARTS, ENTERTAINMENT AND RECREATION | C | 22,6 | -4,6 | C | C |
| **TOTAL** | **965,3** | **2.499,4** | **578,0** | **1.715,0** | **979,0** |

| | Net capital flows | | | | |
|---|---|---|---|---|---|
| **Geographical / economic zone** | **2008** | **2009** | **2010** | **2011** | **2012** |
| EUROPEAN COUNTRIES | 733,9 | 1.977,1 | -139,1 | 980,0 | 1.125,0 |
| EU-25 | 306,6 | 1.388,8 | 117,5 | 380,0 | : |
| EU-27 | 298,2 | 1.400,2 | 117,1 | 385,0 | 366,0 |
| AFRICA | 12,6 | 21,6 | 351,0 | 437,0 | -238,0 |
| AMERICA | 165,4 | 431,6 | 344,9 | 125,0 | -22,0 |
| ASIA | 48,9 | 66,1 | 19,5 | 173,0 | 113,0 |
| OCEANIA | 4,4 | 2,9 | 1,7 | 1,0 | 0 |
| **WORLD (ALL ENTITIES)** | **965,3** | **2.499,4** | **578,0** | **1.715,0** | **979,0** |

Source: CBC.
C. denotes primary confidentiality (i.e. the number of statistical units under a cell is less than 3 or the dominance of one or two units in the data cell is larger or equal to 90%).

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

| | Net capital flows | | | | |
|---|---|---|---|---|---|
| **Economic activity** | **2008** | **2009** | **2010** | **2011** | **2012** |
| MINING AND QUARRYING | 0 | 0 | 0 | 0 | 0 |
| MANUFACTURING | 0 | -1,0 | -11,8 | 3,0 | 6,0 |
| ELECTRICITY,GAS, STEAM AND AIR CONDITIONING SUPPLY | C | C | C | C | C |
| WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES | 0 | 0 | 0 | 0 | 0 |
| CONSTRUCTION | -100,0 | -27,8 | -3,3 | C | C |
| TOTAL SERVICES | -1.755,6 | -245,6 | -498,5 | -1.552,0 | 234,0 |
| WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES | -135,1 | -37,7 | -521,7 | 58,0 | -10,0 |
| TRANSPORTATION AND STORAGE | -2,1 | -0,5 | 1,1 | -8,0 | 4,0 |
| ACCOMODATION AND FOOD SERVICE ACTIVITIES | -18,7 | -69,5 | -16,6 | -2,0 | -10,0 |
| INFORMATION AND COMMUNICATION | 4,1 | -6,9 | -29,0 | 23,0 | -8,0 |
| FINANCIAL AND INSURANCE ACTIVITIES | -1.333,5 | 42,8 | 60,3 | -954,0 | 218,0 |
| PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | -42,9 | -150,0 | 37,4 | C | 2,0 |
| SCIENTIFIC RESEARCH AND DEVELOPMENT | C | C | C | C | C |
| ARTS, ENTERTAINMENT AND RECREATION | 0 | C | C | 0 | 0 |
| **TOTAL** | **-1.855,1** | **-275,6** | **-512,6** | **-1.583,0** | **219,0** |

| | Net capital flows | | | | |
|---|---|---|---|---|---|
| **Geographical / economic zone** | **2008** | **2009** | **2010** | **2011** | **2012** |
| EUROPEAN COUNTRIES | -1.322,9 | -566,3 | -277,4 | -554,0 | -311,0 |
| EU-25 | -13,5 | -446,8 | 170,6 | -301,0 | : |
| EU-27 | -63,1 | -518,3 | 177,8 | -328,0 | -184,0 |
| AFRICA | -7,9 | -43,4 | -55,3 | -469,0 | -10,0 |
| AMERICA | -316,7 | 398,1 | -156,0 | -606,0 | 574,0 |
| ASIA | -172,2 | -31,4 | -7,6 | -23,0 | -30,0 |
| OCEANIA | -35,3 | -32,6 | -15,7 | C | C |
| **WORLD (ALL ENTITIES)** | **-1.855,1** | **-275,6** | **-512,6** | **-1.583,0** | **219,0** |

Source: CBC.
C. denotes primary confidentiality (i.e. the number of statistical units under a cell is less than 3 or the dominance of one or two units in the data cell is larger or equal to 90%).

Table B.12 **Annual international investment position 2013 (provisional)**
(€ million)

| | ASSETS | LIABILITIES | BALANCE |
|---|---|---|---|
| **FINANCIAL ACCOUNT** | | | **-14.138,0** |
| **Direct Investment** | | | **-9.340,0** |
| **Abroad** | | | **6.019,0** |
| Equity capital and reinvested earnings | | | 3.866,0 |
| MFIs (excluding central banks) | | | C |
| Other sectors | | | S |
| Other Capital | | | 2.153,0 |
| MFIs (excluding central banks) | | | C |
| Other sectors | | | S |
| **In the reporting country** | | | **15.359,0** |
| Equity capital and reinvested earnings | | | 13.672,0 |
| MFIs (excluding central banks) | | | 1.868,0 |
| Other sectors | | | 11.804,0 |
| Other capital | | | 1.687,0 |
| MFIs (excluding central banks) | | | C |
| Other sectors | | | S |
| **Portfolio Investment** | **8.480,0** | **3.532,0** | **4.948,0** |
| **Equity securities** | **3.003,0** | **1.133,0** | |
| Monetary authorities | 0 | | |
| General government | 0 | | |
| MFIs (excluding central banks) | C | C | |
| Other sectors | S | S | |
| **Debt securities** | **5.477,0** | **2.399,0** | |
| **Bonds and notes** | **5.158,0** | **2.375,0** | |
| Monetary authorities | 895,0 | 0 | |
| General government | 1.500,0 | 1.792,0 | |
| MFIs (excluding central banks) | 1.569,0 | 37,0 | |
| Other sectors | 1.194,0 | 545,0 | |
| **Money market instruments** | **319,0** | **25,0** | |
| Monetary authorities | 0 | 0 | |
| General government | 0 | 0 | |
| MFIs (excluding central banks) | C | 5,0 | |
| Other sectors | S | 20,0 | |
| **Financial Derivatives** | **1.287,0** | **1.136,0** | **151,0** |
| Monetary authorities | 0 | 0 | 0 |
| General government | 0 | 0 | 0 |
| MFIs (excluding central banks) | 92,0 | 165,0 | -73,0 |
| Other sectors | 1.195,0 | 971,0 | 224,0 |
| **Other Investment** | **42.356,0** | **52.916,0** | **-10.561** |
| **Monetary authorities** | **133,0** | **7.363,0** | |
| Loans/currency and deposits | 1.010,0 | 7.363,0 | |
| Other assets/liabilities | 32,0 | 0 | |
| **General government** | **716,0** | **8.787,0** | |
| Trade credits | C | C | |
| Loans/currency and deposits | 404,0 | 8.782,0 | |
| Other assets/liabilities | S | S | |
| **MFIs (excluding central banks)** | **26.306,0** | **27.554,0** | |
| Loans/currency and deposits | 26.153,0 | 27.472,0 | |
| Other assets/liabilities | 154,0 | 82,0 | |
| **Other sectors** | **15.201,0** | **9.213,0** | |
| Trade credits | 167,0 | 474,0 | |
| Loans/currency and deposits | C | C | |
| Other assets/liabilities | S | S | |
| **Reserve assets** | **664,0** | | |

Source: CBC.
MFIs= Monetary Financial Institutions
C. denotes primary confidentiality (i.e. the number of statistical units under a cell is less than 3 or the dominance of one or two units in the data cell is larger or equal to 90%)
S. denotes secondary confidentiality (i.e. cell is not primary confidential, but it is suppressed in order to prevent observations flagged as "primary confidential" to be indirectly reduced).

## Table B.13 **Tourist arrivals and receipts from tourism**

| | | Tourist arrivals | | | Receipts from tourism | | |
|---|---|---|---|---|---|---|---|
| | | Number of | % change | | | % change | |
| Year | Month | tourists | Previous year | Cumulative period | € million | Previous year | Cumulative period |
| 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[1] | 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 | 211,5 | 12,0 | 11,0 |
| | November | 84.020 | -9,5 | 3,6 | 62,8 | -3,1 | 10,4 |
| | December | 54.772 | -16,2 | 3,0 | 41,6 | 0 | 10,2 |
| 2013 | January[2] | 42.286 | -11,2 | -11,2 | 28,5 | 3,0 | 3,0 |
| | February | 42.327 | -23,6 | -17,9 | 32,7 | -12,4 | -5,0 |
| | March | 92.620 | -1,8 | -10,2 | 66,0 | 5,6 | 0,3 |
| | April | 162.439 | -14,3 | -12,2 | 110,4 | -3,7 | -1,6 |
| | May | 276.244 | -0,2 | -7,2 | 202,1 | -5,7 | -3,5 |
| | June | 308.219 | -6,6 | -7,0 | 259,8 | 2,1 | -1,5 |
| | July | 361.442 | -2,7 | -5,8 | 338,6 | 12,3 | 2,6 |
| | August | 352.215 | -3,1 | -5,3 | 349,5 | 12,0 | 4,8 |
| | September | 357.635 | 6,7 | -3,3 | 353,4 | 21,9 | 7,9 |
| | October | 273.587 | 4,4 | -2,5 | 246,6 | 16,6 | 8,9 |
| | November | 81.542 | -2,9 | -2,5 | 59,2 | -5,7 | 8,4 |
| | December | 54.813 | 0,1 | -2,4 | 37,6 | -9,6 | 8,0 |
| 2014 | January | 40.675 | -3,8 | -3,8 | 30,7 | -0,6 | -0,6 |
| | February | 45.227 | 6,9 | 1,5 | 31,3 | 10,6 | 4,7 |
| | March | 77.533 | -16,3 | -7,8 | n/a | n/a | n/a |
| | April | 180.998 | 11,4 | 1,4 | n/a | n/a | n/a |

Source: Cystat.
1. Data for March 2012 are based on Cystat estimations.
2. Data for January 2013 are based on Cystat estimations.

Table B.14 **Gross domestic product by category of expenditure at constant 2005 prices,**
(€ million)

| Year / Q | | Gross domestic product | General government consumption | Private consumption | Gross fixed capital formation | Changes in inventories | Exports of goods and services | Imports of goods and services |
|---|---|---|---|---|---|---|---|---|
| 2000 | Q1 | 2.683,1 | 420,0 | 1.864,7 | 452,1 | 144,4 | 1.044,0 | 1.242,0 |
| | Q2 | 2.951,4 | 427,6 | 1.772,8 | 538,8 | 165,4 | 1.516,3 | 1.469,4 |
| | Q3 | 2.957,5 | 480,5 | 1.725,6 | 464,6 | -146,7 | 1.877,3 | 1.443,8 |
| | Q4 | 2.847,3 | 643,4 | 1.935,9 | 498,8 | -89,4 | 1.419,5 | 1.560,9 |
| 2001 | Q1 | 2.786,2 | 459,6 | 2.044,6 | 475,6 | 67,8 | 1.105,9 | 1.367,3 |
| | Q2 | 3.046,2 | 493,6 | 1.837,5 | 524,8 | 117,4 | 1.680,5 | 1.607,6 |
| | Q3 | 3.116,2 | 526,4 | 1.666,7 | 503,9 | 29,8 | 1.991,6 | 1.602,1 |
| | Q4 | 2.951,0 | 705,5 | 2.015,2 | 508,2 | -274,8 | 1.438,1 | 1.441,1 |
| 2002 | Q1 | 2.851,0 | 513,2 | 2.010,9 | 517,6 | 159,3 | 1.016,9 | 1.366,8 |
| | Q2 | 3.158,2 | 534,2 | 1.861,5 | 616,0 | 128,7 | 1.588,6 | 1.570,8 |
| | Q3 | 3.118,3 | 566,0 | 1.786,8 | 493,4 | -56,3 | 1.871,2 | 1.542,8 |
| | Q4 | 3.025,4 | 714,9 | 2.033,2 | 559,7 | -190,5 | 1.436,6 | 1.528,4 |
| 2003 | Q1 | 2.906,9 | 539,0 | 2.032,0 | 497,3 | 279,2 | 930,6 | 1.371,2 |
| | Q2 | 3.167,8 | 550,0 | 1.928,1 | 599,8 | 151,1 | 1.406,6 | 1.467,8 |
| | Q3 | 3.175,5 | 561,4 | 1.813,3 | 532,0 | -125,6 | 1.963,7 | 1.569,3 |
| | Q4 | 3.129,7 | 817,4 | 2.104,2 | 609,6 | -402,7 | 1.586,3 | 1.585,1 |
| 2004 | Q1 | 3.021,5 | 503,7 | 2.142,8 | 557,7 | 84,4 | 1.221,5 | 1.488,5 |
| | Q2 | 3.289,8 | 556,4 | 2.014,5 | 667,5 | 100,4 | 1.614,1 | 1.663,1 |
| | Q3 | 3.309,8 | 568,1 | 2.001,2 | 593,0 | -113,7 | 1.918,6 | 1.657,4 |
| | Q4 | 3.282,8 | 703,6 | 2.233,4 | 679,7 | 10,4 | 1.456,7 | 1.800,9 |
| 2005 | Q1 | 3.162,4 | 505,6 | 2.238,0 | 586,6 | 191,2 | 1.251,2 | 1.610,2 |
| | Q2 | 3.392,7 | 556,1 | 2.121,3 | 670,2 | -55,4 | 1.707,6 | 1.607,1 |
| | Q3 | 3.439,5 | 518,4 | 2.029,6 | 618,1 | -45,1 | 2.048,4 | 1.729,9 |
| | Q4 | 3.407,6 | 830,3 | 2.292,8 | 724,3 | -40,1 | 1.508,7 | 1.908,3 |
| 2006 | Q1 | 3.293,3 | 563,5 | 2.319,7 | 647,2 | 150,0 | 1.370,3 | 1.757,4 |
| | Q2 | 3.550,2 | 618,5 | 2.213,1 | 750,1 | -17,3 | 1.800,6 | 1.814,9 |
| | Q3 | 3.566,1 | 593,3 | 2.141,7 | 677,9 | -197,0 | 2.199,3 | 1.849,1 |
| | Q4 | 3.546,0 | 804,8 | 2.412,7 | 790,2 | 58,8 | 1.378,1 | 1.898,6 |
| 2007 | Q1 | 3.444,6 | 577,3 | 2.492,4 | 721,3 | 169,2 | 1.354,4 | 1.870,1 |
| | Q2 | 3.713,2 | 569,7 | 2.396,2 | 850,3 | 172,8 | 1.746,2 | 2.022,0 |
| | Q3 | 3.760,6 | 614,9 | 2.366,4 | 786,6 | -221,1 | 2.379,3 | 2.165,5 |
| | Q4 | 3.747,9 | 850,6 | 2.761,3 | 891,5 | -197,7 | 1.683,9 | 2.241,7 |
| 2008 | Q1 | 3.612,2 | 567,9 | 2.736,0 | 824,7 | 238,5 | 1.417,8 | 2.172,8 |
| | Q2 | 3.872,2 | 588,4 | 2.640,2 | 928,6 | 163,8 | 1.751,3 | 2.200,0 |
| | Q3 | 3.888,7 | 745,9 | 2.626,9 | 822,0 | -16,1 | 2.235,1 | 2.525,1 |
| | Q4 | 3.819,2 | 868,5 | 2.795,4 | 869,7 | -328,0 | 1.722,8 | 2.109,2 |
| 2009 | Q1 | 3.629,0 | 619,6 | 2.568,7 | 771,9 | 47,3 | 1.446,0 | 1.824,5 |
| | Q2 | 3.796,2 | 612,0 | 2.433,7 | 839,6 | 86,7 | 1.582,1 | 1.757,8 |
| | Q3 | 3.780,8 | 640,8 | 2.400,2 | 706,1 | 184,1 | 1.794,0 | 1.944,5 |
| | Q4 | 3.704,4 | 1.087,8 | 2.581,1 | 792,3 | -493,7 | 1.544,0 | 1.807,1 |
| 2010 | Q1 | 3.622,4 | 652,3 | 2.533,9 | 709,7 | 130,5 | 1.400,4 | 1.804,3 |
| | Q2 | 3.833,0 | 644,1 | 2.457,7 | 808,2 | 145,9 | 1.619,8 | 1.842,7 |
| | Q3 | 3.858,5 | 654,2 | 2.444,2 | 697,3 | 249,9 | 1.790,1 | 1.977,2 |
| | Q4 | 3.791,6 | 1.039,5 | 2.699,4 | 743,1 | -427,6 | 1.798,3 | 2.061,1 |
| 2011 | Q1 | 3.684,3 | 634,2 | 2.634,9 | 676,8 | 261,5 | 1.387,4 | 1.910,4 |
| | Q2 | 3.895,0 | 654,2 | 2.471,9 | 741,9 | 172,2 | 1.772,3 | 1.917,5 |
| | Q3 | 3.840,2 | 698,6 | 2.451,4 | 614,7 | 158,1 | 1.914,7 | 1.997,3 |
| | Q4 | 3.752,7 | 995,7 | 2.713,4 | 668,3 | -602,5 | 1.824,5 | 1.846,6 |
| 2012 | Q1 | 3.626,9 | 641,9 | 2.653,5 | 583,6 | 106,9 | 1.386,9 | 1.745,9 |
| | Q2 | 3.799,5 | 642,3 | 2.447,0 | 601,6 | 136,6 | 1.808,9 | 1.837,0 |
| | Q3 | 3.764,5 | 651,1 | 2.388,8 | 518,5 | 190,7 | 1.948,5 | 1.933,1 |
| | Q4 | 3.615,1 | 932,7 | 2.581,6 | 502,7 | -245,6 | 1.583,6 | 1.739,9 |
| 2013 | Q1 | 3.436,7 | 624,2 | 2.516,5 | 466,5 | 134,7 | 1.211,5 | 1.516,8 |
| | Q2 | 3.568,7 | 638,3 | 2.278,9 | 452,1 | -51,7 | 1.694,3 | 1.443,2 |
| | Q3 | 3.570,5 | 659,0 | 2.249,0 | 421,2 | -53,2 | 1.972,9 | 1.678,5 |
| | Q4 | 3.429,0 | 802,3 | 2.449,6 | 389,3 | -189,3 | 1.568,3 | 1.591,1 |

Source : Cystat.

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

| Year / Quarter | | Gross domestic consumption | General government consumption | Private formation | Gross fixed capital formation | Changes in inventories services | Exports of goods and services | Imports of goods and services |
|---|---|---|---|---|---|---|---|---|
| 2000 | Q1 | 2.241,1 | 327,6 | 1.598,7 | 385,9 | 118,8 | 959,4 | 1.149,3 |
| | Q2 | 2.505,6 | 337,4 | 1.547,9 | 459,4 | 129,8 | 1.412,8 | 1.381,6 |
| | Q3 | 2.531,0 | 388,7 | 1.493,0 | 400,2 | -138,2 | 1.756,1 | 1.368,8 |
| | Q4 | 2.478,4 | 524,4 | 1.711,4 | 432,0 | -47,2 | 1.346,3 | 1.488,6 |
| 2001 | Q1 | 2.414,7 | 381,5 | 1.803,5 | 418,2 | 43,8 | 1.063,4 | 1.295,7 |
| | Q2 | 2.717,1 | 410,6 | 1.653,4 | 464,0 | 105,1 | 1.615,8 | 1.531,8 |
| | Q3 | 2.769,2 | 436,8 | 1.484,0 | 447,1 | 27,0 | 1.899,8 | 1.525,5 |
| | Q4 | 2.646,6 | 584,5 | 1.845,0 | 450,1 | -229,8 | 1.375,1 | 1.378,3 |
| 2002 | Q1 | 2.522,0 | 431,5 | 1.811,0 | 467,8 | 144,2 | 973,3 | 1.305,8 |
| | Q2 | 2.798,2 | 449,6 | 1.704,2 | 556,8 | 94,9 | 1.502,8 | 1.510,2 |
| | Q3 | 2.797,9 | 483,3 | 1.639,8 | 450,4 | -60,8 | 1.759,3 | 1.474,1 |
| | Q4 | 2.774,2 | 620,3 | 1.900,2 | 509,6 | -143,0 | 1.342,0 | 1.454,8 |
| 2003 | Q1 | 2.679,9 | 490,1 | 1.915,3 | 456,8 | 241,7 | 872,8 | 1.296,8 |
| | Q2 | 2.977,6 | 507,8 | 1.836,2 | 550,7 | 158,2 | 1.311,4 | 1.386,7 |
| | Q3 | 2.991,6 | 530,2 | 1.700,3 | 493,2 | -92,0 | 1.842,6 | 1.482,8 |
| | Q4 | 2.981,4 | 779,2 | 2.031,9 | 566,4 | -394,5 | 1.503,2 | 1.504,8 |
| 2004 | Q1 | 2.888,0 | 479,7 | 2.037,3 | 525,7 | 82,9 | 1.170,1 | 1.407,7 |
| | Q2 | 3.162,7 | 531,7 | 1.935,3 | 638,2 | 81,5 | 1.564,7 | 1.588,7 |
| | Q3 | 3.223,0 | 545,7 | 1.923,4 | 573,3 | -99,0 | 1.880,6 | 1.601,0 |
| | Q4 | 3.248,7 | 683,0 | 2.216,1 | 661,8 | 11,6 | 1.438,7 | 1.762,6 |
| 2005 | Q1 | 3.123,5 | 503,1 | 2.193,2 | 582,8 | 178,3 | 1.243,6 | 1.577,5 |
| | Q2 | 3.371,5 | 555,6 | 2.115,4 | 667,9 | -65,3 | 1.702,2 | 1.604,3 |
| | Q3 | 3.447,3 | 517,9 | 2.029,1 | 619,3 | -32,6 | 2.045,7 | 1.732,0 |
| | Q4 | 3.459,8 | 833,8 | 2.343,9 | 729,3 | -29,8 | 1.524,4 | 1.941,7 |
| 2006 | Q1 | 3.352,9 | 579,5 | 2.339,5 | 665,1 | 153,0 | 1.396,4 | 1.780,6 |
| | Q2 | 3.653,2 | 634,5 | 2.278,7 | 776,2 | -20,7 | 1.844,9 | 1.860,4 |
| | Q3 | 3.702,0 | 612,0 | 2.209,3 | 705,6 | -199,0 | 2.263,4 | 1.889,4 |
| | Q4 | 3.724,3 | 830,6 | 2.515,3 | 827,3 | 60,8 | 1.439,0 | 1.948,6 |
| 2007 | Q1 | 3.637,9 | 607,5 | 2.572,6 | 764,5 | 173,0 | 1.427,6 | 1.907,3 |
| | Q2 | 3.988,2 | 601,6 | 2.543,3 | 911,2 | 174,7 | 1.850,9 | 2.093,6 |
| | Q3 | 4.096,4 | 651,8 | 2.528,0 | 849,8 | -226,7 | 2.538,2 | 2.244,7 |
| | Q4 | 4.107,2 | 902,2 | 2.993,3 | 974,9 | -203,5 | 1.816,2 | 2.375,9 |
| 2008 | Q1 | 4.023,1 | 627,3 | 2.957,7 | 928,9 | 258,8 | 1.570,0 | 2.319,5 |
| | Q2 | 4.371,9 | 649,5 | 2.940,1 | 1.063,4 | 181,3 | 1.937,2 | 2.399,5 |
| | Q3 | 4.418,9 | 836,4 | 2.949,0 | 950,0 | -35,3 | 2.473,5 | 2.754,7 |
| | Q4 | 4.343,0 | 973,7 | 3.129,2 | 994,0 | -338,7 | 1.882,2 | 2.297,5 |
| 2009 | Q1 | 4.059,8 | 717,6 | 2.807,8 | 870,5 | 56,5 | 1.557,9 | 1.950,5 |
| | Q2 | 4.307,2 | 713,3 | 2.739,6 | 940,1 | 87,7 | 1.722,1 | 1.895,6 |
| | Q3 | 4.256,0 | 733,4 | 2.685,8 | 782,3 | 185,4 | 1.937,0 | 2.068,0 |
| | Q4 | 4.230,3 | 1.228,6 | 2.920,7 | 868,4 | -529,0 | 1.666,0 | 1.924,4 |
| 2010 | Q1 | 4.121,3 | 754,5 | 2.828,3 | 798,7 | 144,7 | 1.530,8 | 1.935,7 |
| | Q2 | 4.412,4 | 748,5 | 2.806,4 | 918,9 | 182,2 | 1.790,0 | 2.033,5 |
| | Q3 | 4.457,9 | 768,5 | 2.810,9 | 789,4 | 296,9 | 1.951,7 | 2.159,4 |
| | Q4 | 4.414,1 | 1.210,9 | 3.115,8 | 824,8 | -509,7 | 2.030,8 | 2.258,5 |
| 2011 | Q1 | 4.253,1 | 758,8 | 3.025,7 | 747,7 | 263,2 | 1.570,5 | 2.112,8 |
| | Q2 | 4.596,7 | 786,1 | 2.930,6 | 816,0 | 231,0 | 1.988,7 | 2.155,7 |
| | Q3 | 4.557,9 | 848,9 | 2.913,3 | 677,2 | 204,5 | 2.134,1 | 2.220,2 |
| | Q4 | 4.470,2 | 1.191,6 | 3.238,7 | 734,0 | -711,0 | 2.090,6 | 2.073,6 |
| 2012 | Q1 | 4.250,6 | 768,8 | 3.130,6 | 646,3 | 65,9 | 1.603,6 | 1.964,6 |
| | Q2 | 4.569,5 | 767,9 | 2.987,3 | 675,0 | 177,9 | 2.072,8 | 2.111,3 |
| | Q3 | 4.558,9 | 778,1 | 2.930,2 | 585,2 | 253,7 | 2.221,3 | 2.209,6 |
| | Q4 | 4.341,3 | 1.095,6 | 3.135,4 | 562,2 | -273,7 | 1.812,5 | 1.990,8 |
| 2013 | Q1 | 4.046,8 | 711,4 | 3.020,6 | 522,7 | 80,1 | 1.443,6 | 1.731,6 |
| | Q2 | 4.224,7 | 723,4 | 2.776,9 | 508,4 | -48,9 | 1.950,5 | 1.685,6 |
| | Q3 | 4.221,6 | 743,4 | 2.725,4 | 458,9 | -35,0 | 2.257,9 | 1.929,1 |
| | Q4 | 4.010,5 | 900,6 | 2.924,1 | 426,1 | -183,4 | 1.778,9 | 1.835,8 |

Source : Cystat.

## Table B.16 **Turnover volume index of retail trade**

| Year / | Month | Volume | 6-month moving average | % change previous year | % change 6-month moving average |
|---|---|---|---|---|---|
| 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 | 105,0 | 118,3 | -1,2 | -1,7 |
| | February | 101,4 | 115,3 | 0,8 | -1,8 |
| | March | 104,2 | 113,0 | -3,4 | -2,6 |
| | April | 106,2 | 111,8 | -7,2 | -3,7 |
| | May | 109,2 | 111,7 | -3,8 | -3,9 |
| | June | 117,6 | 107,3 | -1,8 | -2,8 |
| | July | 121,4 | 110,0 | -7,0 | -3,9 |
| | August | 117,2 | 112,6 | -1,8 | -4,2 |
| | September | 111,3 | 113,8 | -5,7 | -4,6 |
| | October | 108,3 | 114,2 | -4,6 | -4,1 |
| | November | 106,0 | 113,6 | -3,4 | -4,1 |
| | December | 136,0 | 116,7 | -5,6 | -4,7 |
| 2013 | January | 99,0 | 113,0 | -5,7 | -4,5 |
| | February | 89,5 | 108,4 | -11,7 | -6,0 |
| | March | 88,6 | 104,6 | -15,0 | -7,4 |
| | April | 94,8 | 102,3 | -10,7 | -8,4 |
| | May | 105,5 | 102,2 | -3,4 | -8,4 |
| | June | 102,9 | 96,7 | -12,5 | -9,8 |
| | July | 116,0 | 99,6 | -4,4 | -9,5 |
| | August | 111,6 | 103,2 | -4,8 | -8,3 |
| | September** | 104,6 | 105,9 | -6,0 | -7,0 |
| | October** | 105,9 | 107,8 | -2,2 | -5,6 |
| | November** | 100,9 | 107,0 | -4,8 | -5,9 |
| | December* | 133,0 | 112,0 | -2,2 | -4,0 |

| Percentage change by category | Weights | December 2012/2011 | December 2013/2012 | December 2012/2011 | December 2013/2012 |
|---|---|---|---|---|---|
| **General index (GI) (1+2+3)** | **100.00** | **-5,56** | **-2.21** | **-3.84** | **-6.80** |
| (1) Retail sale of automotive fuel in specialised stores | 11.77 | -7.92 | 2.52 | -6.40 | -10.33 |
| **General index excluding automotive fuel (GI-(1)) (2+3)** | **88.23** | **-5.28** | **-2.72** | **-3.53** | **-6.41** |
| (2) Retail sale of food products (2.1+2.2) | 30,63 | 6,89 | 5,36 | 5,40 | 5,40 |
| of which | | | | | |
| (2.1) Retail sale in non-specialised stores with food, beverages or tobacco predominating | 24,75 | 7,22 | 5,27 | 5,11 | 6,79 |
| (2.2) Retail sale of food, beverages and tobacco in specialised stores | 5,88 | 4,56 | 5,85 | 5,89 | 10,19 |
| (3) Retail sale of non food products (except automotive fuel (3.1+3.2+3.3+3.4) | 57,60 | -12,24 | -8,41 | -8,84 | -16,04 |
| of which | | | | | |
| (3.1) Other retail sale in non-specialised stores | 10,69 | -11,96 | -36,74 | -10,82 | -32,37 |
| (3.2) Retail trade of textiles, clothing and footwear | 10,03 | -6,98 | -3,95 | -5,59 | -12,14 |
| (3.3) Retail sale of electrical goods and furniture | 15,90 | -13,78 | -0,72 | -13,57 | -16,51 |
| (3.4) Retail sales of computer equipment, books and other | 16,05 | -13,85 | 0,51 | -5,91 | -9,96 |

Source: Cystat.
* Provisional.
** Revised data.

## Table B.17 **Construction indicators**

| | | Sales of cement (volume) | | | Building permits authorised (volume) | | |
|---|---|---|---|---|---|---|---|
| | | | % change | | | % change | |
| Year / | Month | Total (m.ton) | Previous year | 6- month moving average | Area (sq.met) | Previous year | 6- month moving average |
| 2010 | January | 84.111 | -30,41 | -26,32 | 228.827 | -17,95 | -25,34 |
| | February | 99.354 | -18,81 | -24,93 | 335.783 | 22,60 | -20,52 |
| | March | 135.848 | 9,71 | -19,92 | 317.003 | 24,03 | -14,85 |
| | April | 99.749 | -15,03 | -17,36 | 244.383 | 4,26 | -5,69 |
| | May | 120.199 | -9,08 | -14,07 | 270.480 | 6,14 | 2,12 |
| | June | 130.944 | -4,73 | -11,13 | 254.982 | -29,12 | -0,35 |
| | July | 139.952 | -7,77 | -7,51 | 241.035 | -18,52 | -0,63 |
| | August | 49.809 | 3,06 | -4,84 | 145.686 | -17,50 | -6,56 |
| | September | 118.607 | -6,36 | -7,64 | 209.911 | -23,95 | -14,46 |
| | October | 115.198 | -10,62 | -6,97 | 236.479 | 16,33 | -13,26 |
| | November | 133.159 | 8,91 | -3,87 | 216.510 | -17,94 | -17,18 |
| | December | 108.128 | 0,88 | -2,95 | 216.826 | -17,73 | -14,38 |
| 2011 | January | 90.251 | 7,30 | -0,37 | 167.251 | -26,91 | -15,54 |
| | February | 98.610 | -0,75 | -0,67 | 204.698 | -39,04 | -20,34 |
| | March | 117.715 | -13,35 | -2,15 | 266.707 | -15,87 | -18,84 |
| | April | 87.190 | -12,59 | -2,08 | 174.749 | -28,49 | -24,60 |
| | May | 119.817 | -0,32 | -3,83 | 180.822 | -33,15 | -27,05 |
| | June | 111.297 | -15,00 | -6,76 | 173.957 | -31,78 | -29,26 |
| | July | 112.965 | -19,28 | -10,81 | 186.807 | -22,50 | -28,61 |
| | August | 45.313 | -9,03 | -12,15 | 130.118 | -10,69 | -24,46 |
| | September | 99.251 | -16,32 | -12,65 | 219.492 | 4,56 | -21,99 |
| | October | 96.675 | -16,08 | -13,25 | 180.757 | -23,56 | -21,10 |
| | November | 92.959 | -30,19 | -18,79 | 153.763 | -28,98 | -19,91 |
| | December | 80.395 | -25,65 | -20,65 | 213.916 | -1,34 | -14,34 |
| 2012 | January | 60.071 | -33,44 | -22,84 | 127.078 | -24,02 | -14,05 |
| | February | 65.372 | -33,71 | -25,49 | 141.435 | -30,91 | -17,20 |
| | March | 58.865 | -49,99 | -31,48 | 148.715 | -44,24 | -26,20 |
| | April | 68.304 | -21,66 | -32,92 | 106.275 | -39,18 | -28,52 |
| | May | 83.946 | -29,94 | -32,93 | 134.085 | -25,85 | -28,04 |
| | June | 72.496 | -34,86 | -34,54 | 124.830 | -28,24 | -33,02 |
| | July | 84.914 | -24,83 | -33,00 | 142.702 | -23,61 | -32,81 |
| | August | 34.748 | -23,32 | -32,14 | 97.744 | -24,88 | -32,23 |
| | September | 63.198 | -36,33 | -29,21 | 116.257 | -47,03 | -32,28 |
| | October | 73.426 | -24,05 | -29,49 | 126.546 | -29,99 | -30,77 |
| | November | 69.252 | -25,50 | -28,73 | 143.762 | -6,50 | -28,05 |
| | December | 46.257 | -42,46 | -29,53 | 90.437 | -57,72 | -33,87 |
| 2013 | January | 48.860 | -18,66 | -29,27 | 109.957 | -13,47 | -33,21 |
| | February | 42.615 | -34,81 | -30,55 | 164.902 | 16,59 | -27,46 |
| | March | 47.907 | -18,62 | -27,74 | 87.251 | -41,33 | -25,14 |
| | April | 51.629 | -24,41 | -28,04 | 85.812 | -19,25 | -23,46 |
| | May | 42.220 | -49,71 | -32,97 | 74.157 | -44,69 | -29,72 |
| | June | 47.624 | -34,31 | -31,34 | 63.687 | -48,98 | -25,13 |
| | July | 54.311 | -36,04 | -34,02 | 81.682 | -42,76 | -30,14 |
| | August | 21.299 | -38,70 | -34,29 | 53.809 | -44,95 | -40,82 |
| | September | 45.077 | -28,67 | -35,68 | 63.022 | -45,79 | -41,52 |
| | October | 49.957 | -31,96 | -36,89 | n/a | n/a | n/a |
| | November | 44.597 | -35,60 | -33,96 | 80.237 | -44,19 | -39,41 |
| | December | 38.864 | -15,98 | -31,65 | 67.192 | -25,70 | -36,01 |
| 2014 | January | 31.957 | -34,59 | -30,97 | 65.564 | -40,37 | -35,31 |
| | February | 40.210 | -5,64 | -27,05 | 77.633 | -52,92 | -37,92 |
| | March | 38.299 | -20,06 | -25,72 | n/a | n/a | n/a |
| | April | 37.674 | -27,03 | -24,44 | n/a | n/a | n/a |

Source: Cystat.

1 Introduction

2 Macroeconomic Developements and Projections

3 Statistical Annex

## Table B.18 **Volume index of manufacturing production**

| Year / | Month | Index: Monthly | Index: Cumulative | % change: Previous year | % change: 6 - month moving average | % change: Cumulative period |
|---|---|---|---|---|---|---|
| 2011 | January | 83,20 | 83,20 | -6,20 | 2,21 | -6,20 |
| | February | 87,40 | 85,30 | -4,17 | 0,93 | -5,17 |
| | March | 96,10 | 88,90 | -11,18 | -2,29 | -7,43 |
| | April | 90,10 | 89,20 | -6,83 | -3,70 | -7,28 |
| | May | 102,20 | 91,80 | -5,02 | -5,11 | -6,78 |
| | June | 101,10 | 93,35 | -9,16 | -7,22 | -7,22 |
| | July | 101,30 | 94,49 | -11,76 | -8,19 | -7,95 |
| | August | 64,30 | 90,71 | -2,87 | -8,22 | -7,52 |
| | September | 95,80 | 91,28 | -12,19 | -8,40 | -8,09 |
| | October | 90,70 | 91,22 | -9,93 | -8,91 | -8,28 |
| | November | 90,70 | 91,17 | -12,37 | -10,19 | -8,66 |
| | December | 91,60 | 91,21 | -10,28 | -10,40 | -8,80 |
| 2012 | January | 73,70 | 73,70 | -11,42 | -10,27 | -11,42 |
| | February | 79,70 | 76,70 | -8,81 | -10,89 | -10,08 |
| | March | 84,40 | 79,27 | -12,17 | -10,86 | -10,84 |
| | April | 84,80 | 80,65 | -5,88 | -10,22 | -9,59 |
| | May | 94,10 | 83,34 | -7,93 | -9,41 | -9,22 |
| | June | 88,10 | 84,13 | -12,86 | -9,87 | -9,87 |
| | July | 93,80 | 85,51 | -7,40 | -9,22 | -9,50 |
| | August | 59,70 | 82,29 | -7,15 | -9,04 | -9,29 |
| | September | 83,90 | 82,47 | -12,42 | -9,08 | -9,65 |
| | October | 84,90 | 82,71 | -6,39 | -9,16 | -9,33 |
| | November | 83,00 | 82,74 | -8,49 | -9,28 | -9,25 |
| | December | 76,50 | 82,22 | -16,48 | -9,84 | -9,86 |
| 2013 | January | 66,00 | 66,00 | -10,45 | -10,42 | -10,45 |
| | February | 67,10 | 66,55 | -15,81 | -11,64 | -13,23 |
| | March | 67,60 | 66,90 | -19,91 | -12,86 | -15,60 |
| | April | 76,40 | 69,28 | -9,91 | -13,53 | -14,10 |
| | May | 76,90 | 70,80 | -18,28 | -15,31 | -15,05 |
| | June | 75,20 | 71,53 | -14,64 | -14,98 | -14,98 |
| | July | 84,30 | 73,36 | -10,13 | -14,75 | -14,22 |
| | August | 56,30 | 71,23 | -5,70 | -13,51 | -13,44 |
| | September | 73,90 | 71,52 | -11,92 | -12,17 | -13,27 |
| | October | 74,90 | 71,86 | -11,78 | -12,49 | -13,12 |
| | November | 69,50 | 71,65 | -16,27 | -12,02 | -13,41 |
| | December | 70,50 | 71,55 | -7,84 | -10,88 | -12,97 |
| 2013 | January | 61,80 | 61,80 | -6,36 | -10,37 | -6,36 |
| | February | 66,20 | 64,00 | -1,34 | -9,67 | -3,83 |

| Percentage change by category | February 2013/12 | February 2014/2013 | Jan.-Feb. 2013/2012 | Jan.-Feb. 2014/2013 |
|---|---|---|---|---|
| **General index** | **-15,8** | **-1,3** | **-13,2** | **-3,9** |
| Manufacture of food products, beverages and tobacco products | -8,9 | -5,9 | -6,3 | -6,3 |
| Manufacture of textiles, wearing apparel and leather products | -45,3 | -15,7 | -40,9 | -16,2 |
| Manufacture of wood and products of wood and cork, except furniture | -27,0 | -27,1 | -26,5 | -27,6 |
| Manufacture of paper products and printing | -17,9 | -5,2 | -13,8 | -2,5 |
| Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations | 8,4 | 16,6 | 21,5 | 3,2 |
| Manufacture of rubber and plastic products | -22,4 | 15,1 | -13,1 | 4,1 |
| Manufacture of other non-metallic mineral products | -20,9 | 38,3 | -22,6 | 27,5 |
| Manufacture of basic metals and fabricated metal products | -21,5 | -18,9 | -21,7 | -18,0 |
| Manufacture of electronic and optical products and electrical equipment | -47,6 | -10,6 | -34,7 | -21,3 |
| Manufacture of machinery and equipment, motor vehicles and other transport equipment | -30,5 | -28,9 | -33,2 | -15,8 |
| Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment | -28,2 | -0,7 | -29,7 | 2,2 |

Source: Cystat.

## Table B.19 **Labour market indicators based on the Labour Force Survey (LFS)**

| | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Labour force** | 434.236 | 439.954 | 442.483 | 445.744 | 446.099 | 442.006 | 447.500 | 448.147 |
| **Employed** | 386.069 | 390.213 | 389.046 | 389.094 | 375.392 | 373.700 | 374.840 | 376.496 |
| By type of employment: | | | | | | | | |
| Full time | 343.664 | 349.443 | 351.162 | 343.471 | 328.509 | 327.474 | 328.807 | 325.541 |
| Part time | 42.405 | 40.769 | 37.884 | 45.623 | 46.883 | 46.227 | 46.033 | 50.955 |
| By sector of employment: | | | | | | | | |
| Primary sector | 11.420 | 10.905 | 10.953 | 11.997 | 10.503 | 10.273 | 13.321 | 12.520 |
| Secondary sector | 80.012 | 78.366 | 77.610 | 77.522 | 70.993 | 66.164 | 62.313 | 64.003 |
| Tertiary sector | 294.637 | 300.942 | 300.483 | 299.575 | 293.896 | 297.263 | 299.206 | 299.973 |
| Employees | 319.173 | 326.697 | 326.980 | 323.530 | 310.421 | 308.898 | 310.308 | 307.376 |
| **Unemployed** | 48.166 | 49.742 | 53.437 | 56.650 | 70.707 | 68.306 | 72.660 | 71.651 |
| By unemployment duration: | | | | | | | | |
| Less than 12 months | 36.363 | 35.593 | 36.258 | 37.182 | 46.164 | 43.360 | 44.089 | 41.315 |
| 12 months and above | 11.803 | 14.149 | 17.180 | 19.466 | 24.542 | 24.946 | 28.572 | 30.337 |
| **Labour force (% of the population)** | | | | | | | | |
| **Total** | **63,2** | **63,3** | **63,5** | **63,6** | **63,5** | **62,8** | **63,5** | **63,4** |
| Male | 70,2 | 70,5 | 71,0 | 70,8 | 70,4 | 69,7 | 70,6 | 70,3 |
| Female | 56,9 | 56,9 | 56,8 | 57,2 | 57,3 | 56,6 | 57,2 | 57,2 |
| **Employment (% of the population)** | | | | | | | | |
| **Total** | **56,2** | **56,2** | **55,8** | **55,5** | **53,4** | **53,1** | **53,2** | **53,3** |
| Male | 61,7 | 62,0 | 62,3 | 61,5 | 59,0 | 58,4 | 58,9 | 58,2 |
| Female | 51,3 | 51,0 | 50,1 | 50,2 | 48,5 | 48,3 | 48,1 | 48,8 |
| **Unemployment (% of the labour force )** | | | | | | | | |
| **Total** | **11,1** | **11,3** | **12,1** | **12,7** | **15,9** | **15,5** | **16,2** | **16,0** |
| Male | 12,2 | 12,1 | 12,3 | 13,2 | 16,2 | 16,2 | 16,5 | 17,2 |
| Female | 9,8 | 10,4 | 11,8 | 12,2 | 15,4 | 14,6 | 16,0 | 14,7 |

Source: Cystat.

# Technical Notes

## Technical notes

### Domestic Monetary Aggregates

All monetary aggregates' data exclude the CBC.

On 1 July 2008, a new definition of residents of Cyprus entered into force (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, 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 the *Monetary and Financial Statistics*, published by the Statistics Department of the CBC, which is available on the CBC website.

In January 2014, the Statistics Department of the CBC proceeded with a revision of the deposits and loans being published so that monthly transactions and annual percentage changes include the adjustment resulting from currency changes. With the inclusion of such a revaluation, trading and annual percentage changes in loans and deposits in foreign currency will not be affected by fluctuations in exchange rates. This revision significantly improves the accuracy of the data, giving information to users regarding the effective annual percentage change in the monetary aggregates, in line with the methodology applied by the ECB. It should be noted that the outstanding balances are not affected by this revision.

### 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 data collection of compilation system of balance of payments data are available on the CBC website.