



CENTRAL BANK OF CYPRUS
EUROSYSTEM

ECONOMIC
BULLETIN
DECEMBER 2013

NICOSIA - CYPRUS

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ABBREVIATIONS

BCS:	Business and Consumer Surveys
BLS:	Bank Lending Survey
CBC:	Central Bank of Cyprus
CPI:	Consumer Price Index
Cystat:	Statistical Service of the Republic of Cyprus
EC:	European Commission
ECB:	European Central Bank
EER:	Effective Exchange Rate
EONIA:	Euro Overnight Index Average
ESM:	European Stability Mechanism
EU:	European Union
EURIBOR:	Euro Interbank Offered Rate
EUROSTAT:	Statistical Office of the European Union
GDP:	Gross Domestic Product
HICP:	Harmonised Index of Consumer Prices

IMF:	International Monetary Fund
LFS:	Labour Force Survey
LTROs:	Long-term refinancing operations
MFI:	Monetary Financial Institutions
MoU:	Memorandum of Understanding
NACE:	Nomenclature statistique des Activités économiques dans la Communauté Européenne (Statistical classification of economic activities in the European Community)
NFCS:	Non-Financial Corporations
OIS:	Overnight Index Swaps
OMT:	Outright Monetary Transactions
REER:	Real Effective Exchange Rate
VAT:	Value Added Tax

Synopsis

Introduction

The Cypriot economy is under an economic adjustment programme based on the Memorandum of Understanding (MoU) signed last March with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). The programme, which is updated on a quarterly basis for evaluation purposes, aims at addressing the challenges the economy is facing in three key areas: the financial sector, public finances and structural reforms. On the basis of the progress achieved under the programme, the Cyprus economy secures the necessary funding until it recovers and returns to a sustainable growth path.

The programme includes a number of significant structural measures, unprecedented for the island's economy and especially in the context of excessively high unemployment. Even though the programme is rigorous and painful, its implementation constitutes the only way out of the crisis, while offering the opportunity to rectify many structural distortions in the economy and hence create the conditions for the return to full employment and sustainable growth.

Although there is no room for complacency, one should recognise the satisfactory progress made so far in the implementation of the MoU in all three programme areas under very difficult circumstances. Regarding public finances, the budgetary targets have so far been achieved with significant margins, reflecting the prudent implementation of the budget, as well as the smaller scale of deterioration in economic activity than originally anticipated for 2013. The 2014 budget remains conservative and aims at frontloading additional fiscal adjustment needed 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 medium run, so that the public debt is driven on a stable and sustainable downward path.

Progress has also been made regarding structural reforms. The programme's reform of the social security system includes the introduction of a General Minimum Income Scheme in order to provide financial assistance to those in real need. It should also be noted that a roadmap for the privatization programme has also been prepared, which aims at raising at least €1 billion by the end of 2016 and an additional €400 million by 2018, at the latest.

Regarding the banking sector, the strict implementation of the MoU constitutes a key requirement for the gradual reversal of the negative developments that have occurred in recent years as a result of the debt crisis in the euro area, the high exposure of our banking system to the Greek economy, the economic and fiscal deterioration, as well as the deterioration in the domestic real estate market. The primary objective is to fully restore the credibility and stability of the financial sector so that the real economy can recover. The efforts made so far have been paying off. More specifically, the Bank of Cyprus has exited the consolidation regime, and after the bail in process, has now a strong capital base. It has also proceeded to the election of a new Board and the appointment of a new CEO, while the restructuring plan is progressing at a satisfactory pace. Meanwhile, the Cooperative sector is in the process of recapitalisation, with €1,5 billion provided for in the MoU. Based on the restructuring plans of the above financial institutions, the sector is expected to reduce operating costs, its staff and the number of branches, as well as to improve corporate

governance practices, so as to become more efficient and profitable in the future. The successful raising of private funds by Hellenic Bank in order to satisfy the MoU capital requirements is also a significant and positive development. As a result of the recapitalisation process, the banking sector is expected to have a sizeable cushion of funds in the near future that may be used to absorb possible future shocks.

It should be stressed that in the first two programme reviews, positive deviations were recorded both in public finances as well as in the financial sector. This favourable outcome gives the economy the ability to withstand adverse developments that may occasionally appear due to unforeseen factors or external developments. It also reinforces our credibility in international markets (e.g. the recent upgrade of the creditworthiness of the Republic by S&P's) and with our partners. Finally, these positive deviations may be helpful in allowing for possible programme adjustments, if needed.

International developments

The recovery of the global economy remains sluggish and uneven across regions, with signs of growth gaining momentum in some advanced economies, including the US and the UK. In contrast, growth in emerging economies recorded a slowdown even though it continued to contribute significantly to global economic activity.

Global inflation remains modest. In advanced economies, economic recovery is not expected to contribute to inflationary pressures as a result of excess capacity. At the same time, commodity prices fell or stabilised amid improving supply conditions on the one hand and reduced demand from emerging economies, including China, on the other.

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

In an effort to further improve stability and economic sentiment in the euro area, the ECB decided at its Governing Council meeting in November 2013 to further reduce its key interest rate to 0,25%. Under the same framework, the ECB continued to provide ample liquidity to euro area banks in order to smooth out tensions in money supply, while in October 2013 the ECB decided to conduct two further long-term refinancing operations (LTROs). These actions were deemed necessary in the effort to provide continuing support to the euro area banking system as well as to maintain the smooth and effective transmission of monetary policy.

The aforementioned developments, coupled with the decisive contribution of ongoing fiscal and structural reforms in the euro area, are expected to contribute to the mitigation of financial tensions in the euro area and, subsequently, to the gradual improvement of growth prospects.

Economic activity in the euro area recorded a slight increase in the third quarter of 2013 compared with the previous quarter, continuing the upward trend that began in the second quarter of 2013 after six consecutive quarters of declining production and income. Confidence indicators, however, provide evidence of continued sluggishness. Despite the positive effect of certain developments, such as the improvement of financial market conditions since 2012 and fiscal consolidation, on the real economy, unemployment remains at very high levels and the required adjustment in the public and private sector balance sheets will continue to restrict economic

activity.

In the US, the UK and Japan, economic activity also increased in the second and third quarter of 2013 compared with the respective previous quarters. In the US, economic growth is expected to be modest, mainly due to the significant fiscal consolidation and the recent fiscal policy deadlock that threatened the country with the possibility of default. Similarly, growth in the UK is expected to be slow in the near future, on the basis of weak real household income and the continued need for adjustment in the public and private sector balance sheets. In Japan, recent indicators support the assessment of continued recovery in 2014, spurred by large-scale monetary easing and fiscal expansion.

Domestic developments

Based on analytical data for the first half of 2013, real GDP in Cyprus shrank significantly by 5,5% in annual terms compared with a decrease of 2,2% in the corresponding period last year. According to preliminary data for the third quarter of 2013, real GDP contracted further by 5,5%. Various economic indicators also reflect the above mentioned pattern as they registered significant reductions in 2012 and the first months of 2013.

Based on the Harmonised Index of Consumer Prices (HICP), inflation in the first ten months of 2013 was 0,7% compared with 3,4% in the corresponding period of 2012. It should be noted that inflation was negative in October 2013, in the order of -0,5%, for the first time since the third quarter of 2009.

In the monetary sector, the significant slowdown in the annual growth rate of loans to the domestic private sector observed throughout 2012 continued in the first nine months of 2013, which, at the most recent months,

has turned negative. The negative annual growth of loans to the domestic private sector was mainly driven by the developments following the Eurogroup decision of March 2013, which led to significant turmoil in the domestic economy, especially in the banking system. A similar picture was also observed in the growth of domestic private sector deposits, which, for the period March-September of 2013, recorded consecutive negative rates due to significant outflows, reflecting the severe undermining in the credibility of the Cypriot banking system, following the decisions of the Eurogroup.

During the first nine months of 2013, average borrowing costs recorded a slight decrease in the majority of loan categories compared with the corresponding period of 2012, although they remained at high levels. According to the latest data available, at the end of September 2013, domestic borrowing costs in all loan categories remained at higher levels compared with the corresponding costs in the euro area. As regards domestic deposit rates, these recorded a sharp decrease from April 2013 onwards, reflecting the events of March 2013. Moreover, the decision of the Central Bank of Cyprus (CBC) in April 2013 (according to which as from May 2013, the CBC will impose additional capital requirements on credit institutions that offer deposit rates which exceed Euribor + 300 b.p.) has also played a significant role to the aforementioned reduction in the domestic deposit rates.

As far as the current account is concerned, the trade balance of goods and services which is a representative indicator of competitiveness in a small open economy, recorded a surplus of €16,1 million in the first half of 2013 compared with a deficit of €377,7 million in the first half of 2012, mainly due to reduced imports. Most recent available data indicate that imports will further

decline slightly during the second half of the year causing a further reduction in the trade balance during the current year.

As regards the labour market, employment recorded an annual decrease of 5,6% in the first half of 2013 compared with a decline of 3,3% in 2012 . Moreover, according to data from the Labour Force Survey (LFS), unemployment continued the upward trend in the first half of 2013, rising by 4,5 percentage points compared with the corresponding period of the previous year, reaching 15,7%.

As regards public finances, preliminary data published by Cystat relating to the first nine months of 2013, demonstrate a significant improvement on account of the ongoing implementation of the fiscal consolidation programme, the prudent implementation of the state budget as well as the less severe deterioration in economic activity than originally expected for 2013. Specifically, the budget deficit as a percentage of GDP reached 1,9% during the period under consideration compared with 3,3% over the first nine months of 2012.

General government consolidated gross debt as a percentage of GDP exhibited a further significant increase to 112,1% at the end of the third quarter of 2013, up from 86,6% at the end of 2012, according to preliminary data published by the Ministry of Finance. This development was primarily due to the state support given to the banking system within the context of the MoU.

As far as the second review forecasts for GDP in the period 2013-2015 are concerned, it was expected that the decline in GDP for 2013 will stand at -7,7% from -8,7% projected in the first mission review. In contrast, an equal deterioration is expected in 2014 (from -3,9% to -4,8%) due to the prolonged uncertainty. In 2015 a slight recovery is expected. It should be noted, however,

that the latest available data display a more positive picture for GDP in 2013. In particular, in the first nine months of the year GDP contracted more slowly than what was expected for the entire year. However, it should be pointed out that the unemployment rate has reached very high levels, especially among young people, and it is not expected to reverse in the near future.

In conclusion, although important steps towards restoring financial stability have taken place, risks stemming from unexpected or exogenous factors remain. There is no room for relaxation and we must remain focused on those policies that will help us restore and strengthen confidence in the financial system as well as enhance macroeconomic stability. Being prepared to face any challenges that may arise is the only way we can ensure a smooth exit from the crisis.

SECTION A

**Macroeconomic Developments
and Projections**

1. International Environment

1.1 External developments

GDP growth¹

The recovery of the global economy continues to be sluggish, with variations observed in the driving forces of economic growth as well as across regions, with recent developments confirming the shift of growth dynamics towards developed economies. In contrast, in emerging economies the rate of economic growth recently recorded a slowdown, on account of cyclical and structural reasons. The view that US monetary policy has reached a turning point, and the belief that the Chinese economy will grow in the medium term at rates lower than those observed in the recent past, are expected to shape the course of the global economy in the near future.

Global inflation declined further, mainly due to excess capacity in developed economies as well as the decline in the prices of oil and other commodities in relation to the first ten months of 2012.

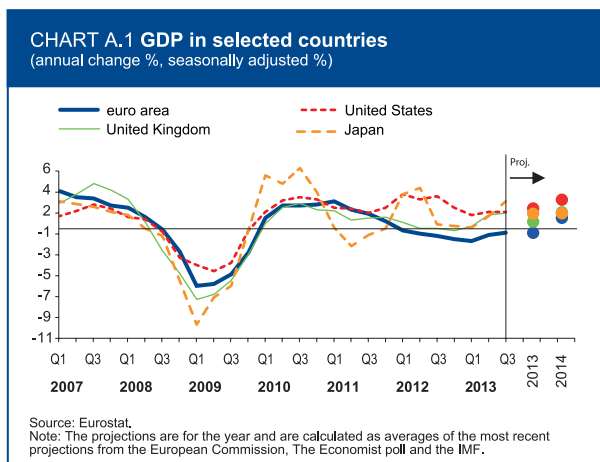
More specifically, in the euro area, the significant improvement in financial markets since 2012 started impacting on the real economy. Similarly, it is expected that fiscal consolidation and structural reform measures taken at national level will have a similar impact. Moreover, real incomes have benefited recently from significantly lower energy inflation and, to a lesser extent, by lower inflation in the other HICP inflation sub-components excluding that of unprocessed food. However, unemployment in the euro area remains high at a time when the necessary adjustment in the public and private sector balance sheets will continue to weigh on economic activity. Risks to the economic outlook for the euro area continue to be on the downside.

Against this background, GDP in the euro area recorded negative annual growth of -0,7% in the

1. GDP projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (9 November 2013), the European Commission (European Economic Forecasts, Autumn 2013) and the IMF (World Economic Outlook, October 2013).

first nine months of 2013 compared with -0,5% in the corresponding period of 2012 (**Chart A.1**). However, on a quarterly basis, production rose during the second and third quarter of 2013, after six consecutive quarters of negative growth rates. Unemployment in the euro area remained stable at 12,2% in September 2013, and reached 12,1% in the period January-September 2013. Various confidence indicators, with data available up to October 2013, provide evidence for continued, albeit modest, growth over the remainder of 2013. In the medium term, output is expected to continue to recover at a slow pace, mainly due to the gradual improvement in domestic demand, while euro area economic activity may also benefit from the gradual strengthening of demand for exports. International organisations and analysts expect a reduction in GDP of 0,4% for 2013 and an increase of 1,0% in 2014, with risks to this projection remaining on the downside.

In the UK, GDP annual growth reached 1,0% in the first nine months of 2013 compared with 0,2% in the corresponding period of 2012, mainly driven by domestic demand and, in particular, private consumption. Developments in key leading indicators up to September 2013 indicate that GDP will continue growing at the same pace in the near future. However, the restrictions on household real disposable income and the need for adjustment in the public and private sector balance sheets are expected to continue restraining domestic demand for some time, while the prospects for growth in exports remain subdued. As a result, medium-term GDP growth could be mitigated. The labour market continued to improve gradually, with employment growth picking up in recent months. The unemployment rate has also fallen slightly recently, although it remains relatively high at 7,7% in the second quarter of 2013. International organisations and analysts project that GDP growth in 2013 will be around 1,4% and around 2,1% in 2014.



In the US, annual GDP growth decelerated to 1,5% in the period January-September 2013 compared with 3,1% in the corresponding period of 2012. Growth continues to be supported by growth in consumer spending, albeit to a lesser degree than at the beginning of the year, as well as by strong private fixed investment, including residential investment. The ongoing fiscal consolidation and the recent deadlock in fiscal policy that threatened, albeit temporarily, the country with the possibility of default are expected to have a negative impact on the US outlook in the near term. In contrast, developments in recent leading indicators up to September 2013 indicate continued growth in private consumption and investment and, consequently, increased momentum for the US economy in the fourth quarter of 2013. US unemployment fell further to 7,3% in the third quarter of 2013 compared with 7,6% in the second quarter and 8,1% in the corresponding quarter of 2012. International organisations and analysts forecast GDP growth to be around 1,6% in 2013 and 2,6% in 2014.

In Japan, economic activity recorded a growth of 1,3% in the period January-September 2013 compared with 2,5% in the corresponding period of 2012, while recent sentiment indicators point towards improvement in business confidence and support the potential for increased industrial production in the near future. Unemployment remained stable in the third quarter of 2013 at 4%. On average, international organisations and analysts estimate that GDP growth rate will be close to 2% in 2013 and 1,6% in 2014.

Inflation²

Global inflation has been kept in check, primarily owing to the excess capacity in developed economies and the decline or stabilisation in the international prices of oil and other commodities. At the same time, the improvement in supply conditions and reduced demand from emerging economies spearheaded

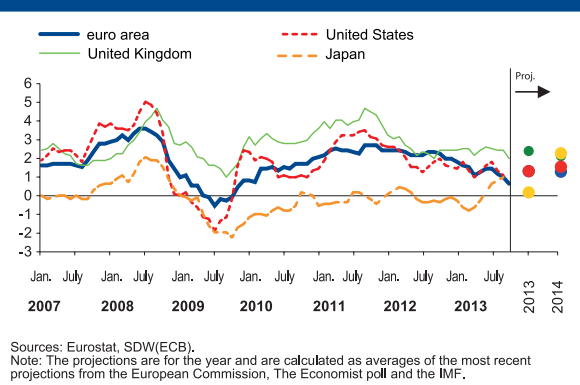
2. Inflation projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (9 November 2013), the European Commission (European Economic Forecasts, Autumn 2013) and the IMF (World Economic Outlook, October 2013).

by China (**Chart A.2**) helped to contain inflationary pressures.

More specifically, HICP inflation in the euro area recorded a significant slowdown to 0,7% in October 2013 from 1,1% in September 2013 and 2,6% in October 2012. For the period January-October 2013, inflation in the euro area was 1,4% compared with 2,6 % in the corresponding period of 2012, primarily reflecting the significant decline in energy inflation compared with 2012 and 2011. The HICP excluding energy and food also slowed down from 1% in September 2013 to 0,8% in October 2013. The most recent forecasts by international organisations and analysts for inflation in the euro area average are 1,5% for 2013 and 1,4% in 2014. In the United Kingdom, the HICP inflation remained relatively elevated in recent months. More specifically, in September 2013, inflation remained stable at 2,7%, with the lower inflation in energy prices being offset by higher inflation in the services component. For the whole period January - October 2013, inflation recorded a slight decrease from 2,9% in 2012 to 2,7% in 2013. Regarding the outlook for inflation, it is expected that inflationary pressures will moderate over the medium term on account of the existing excess capacity in the labour market and better use of capital. On the other hand, increases in administered and regulated prices and the need for companies to restore their profit margins could put upward pressure on inflation. Therefore, inflation according to analysts is expected to reach around 2,7% in 2013 and 2,4% in 2014.

In the US, inflation recorded a decrease of 0,3 percentage points in September 2013 to 1,2% from 1,5% in August 2013, partly owing to a strong base effect on energy prices in the last two months. For the period January - September 2013, inflation decreased to 1,6% from 2,1% in the corresponding period last year. Excluding food and energy, core inflation subsided slightly to 1,7% from 1,8% in August, supported by the

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



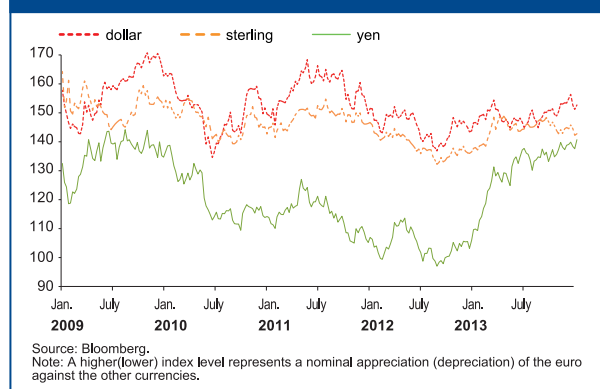
continued increase in the prices of accommodation services and medical services. As to the outlook for inflation, it is anticipated that developments on wages and the cost of inputs in the production process as well as the excess capacity will keep inflation under control. According to the latest projections, inflation is expected to be around 1,5% in 2013 and 1,7% in 2014.

In Japan, inflation continued its upward trend since the beginning of the year, recording a marginal increase from 0,9 % in August 2013 to 1% in September 2013. However, core inflation (which excludes food, drink and energy) remained at 0%. It should be noted that the CPI inflation has fluctuated within positive territory since June 2013 but for the entire period January - September 2013, inflation remained anchored at 0%, as in the corresponding period of 2012. Analysts project that inflation in Japan will be 0,2 % in 2013 and 2,5 % in 2014 .

Exchange rates

The euro continued its appreciation against the major currencies (**Chart A.3**), with recent trends showing signs of stabilisation. Factors, such as the moderation of the tensions in euro area countries under fiscal crisis, market expectations for a reduction in the ECB key policy rate, as well as more recent market expectations of a gradual growth in the euro area appeared to have contributed to the above development. It is worth mentioning that the unexpected decision of the ECB on 7 November 2013 to reduce its key policy rate by 25 basis points caused a temporary depreciation of the euro against the major currencies. In this respect, from 31 December 2012 to 15 November 2013 (the cut-off date for data in the current *Bulletin*) the euro rose against the dollar by 2,3%, sterling by 3,1% and significantly against the yen by 18,1% (**Table B.1** of the Annex, p.56).

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



Oil and gold

The average price of Brent crude oil in 2013 ranged from \$112,9 per barrel in the first quarter to \$103,0 in the second and \$109,8 in the third quarter of 2013. In October, the price stood at \$109,4 while on 15 November the price of Brent crude oil closed at \$108,5 per barrel (**Chart A.4**). Global oil demand is expected to remain stable in the fourth quarter of 2013, and to fluctuate at lower levels in the medium term, mainly due to the reduction in demand from emerging economies and specifically by China. Markets expect further reduction in oil prices in the medium term, with futures for December 2014 now priced at around \$102 per barrel.

Like most commodities, in the period January-October 2013, gold recorded a gradual reduction with an average price in the last ten months of \$1.439,2 per ounce from \$1.661,4 in the corresponding period of 2012 (**Chart A.5**), mainly due to market concerns about reduction in demand from major emerging economies, specifically by China.

Selected international stock market indices

The stock market indices in the US, Japan and the euro area continued to show an upward trend during the period under review. In the US and Japan, the rise was mainly driven by the positive market perception of the announcements of the respective central banks regarding further unconventional measures to support macroeconomic conditions in their economies, as well as the recent fiscal agreement in the US.

As for the euro area stock index (DJ Eurostoxx), the continuous upward trend recorded in recent months, mainly reflected the recovery of the main economic indicators in some euro area countries, the US fiscal agreement and the recent decline in the key ECB interest rates by 25 basis points. Since the beginning of

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

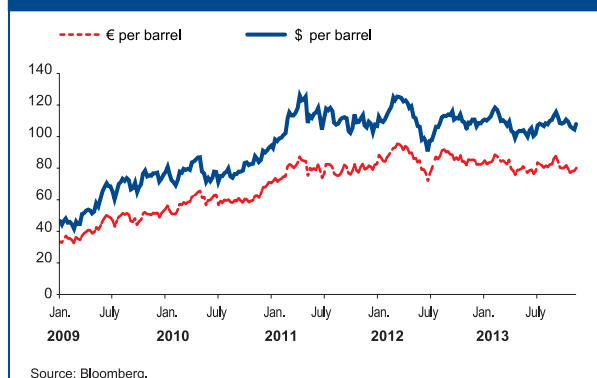
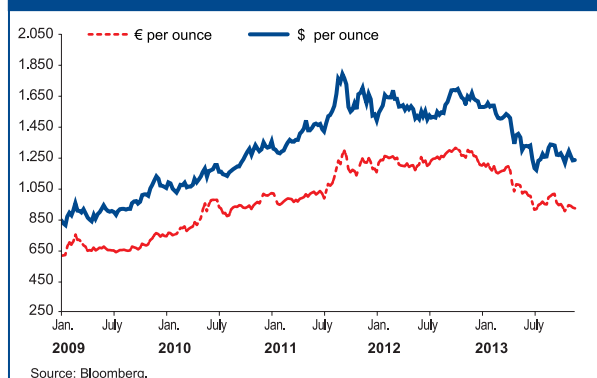


CHART A.5 Closing prices of gold
(weekly data)



the year and up to 15 November 2013, the DJ Eurostoxx index increased by 12,74%, the S&P500 index by 22,62% and the Nikkei by 41,9% (**Chart A.6**).

International official interest rates

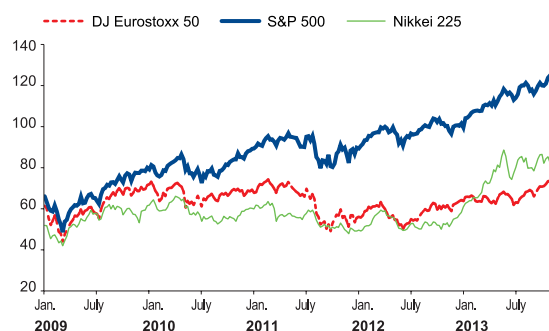
The major central banks continued to adopt accommodative monetary policy and to implement unconventional monetary policy measures throughout 2013 (**Chart A.7**). In November 2013, the ECB further reduced its main refinancing operations rate from 0,50% to 0,25%. The Federal Reserve has maintained its key interest rate at 0%-0,25%, amid new policy decisions to stimulate liquidity. The Bank of England also kept unchanged its key rate at 0,5% and announced the continuation of the programme of quantitative easing through asset purchases amounting to £375 billion.

1.2 Monetary developments in the euro area

Inflation

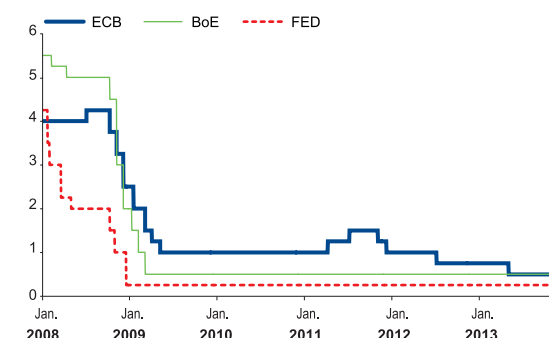
As mentioned above, according to the latest available data inflation in the euro area posted a marked slowdown to 0,7% in October 2013 compared with 1,1% in September, thus continuing its downward trend since October 2012. The significant fall in inflation in October 2013 compared with the previous month was mainly attributed to lower inflation in the component of energy and, to a lesser extent, services (**Chart A.8**). In the period January - October 2013, inflation stood at 1,4 % compared with 2,6 % in the corresponding period of 2012, primarily owing to the significant slowdown in energy inflation and to a lesser extent in the other main components, with the exception of unprocessed food. Inflation, excluding energy and food, in the euro area was 0,8% in October compared with 1,0% in September.

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



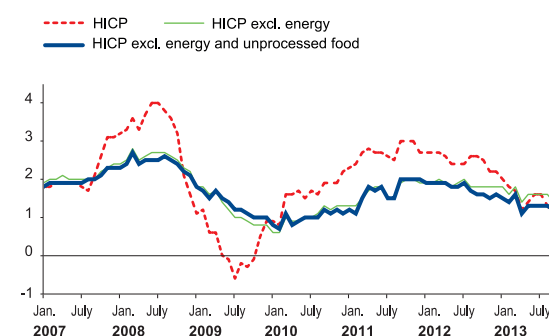
Source: Bloomberg.

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



Source: ECB, Fed, BoE.

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



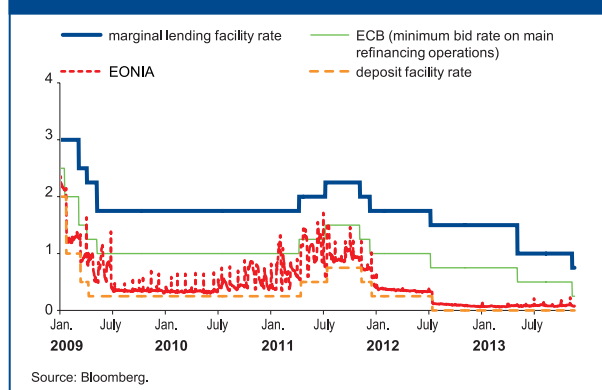
Source: Eurostat.

Reference rates and ECB interventions

On 7 November 2013, the ECB Governing Council decided to further reduce its key interest rate by 25 basis points. Overall, since the beginning of the year the ECB proceeded with two cuts in its key interest rate by a total of 50 basis points. As a result, the main refinancing rate now stands at 0,25%. At the same time, the rate on the ECB marginal lending facility fell to 0,75%, while the deposit facility rate remained at 0% (**Chart A.9**). According to the ECB, the latter reduction is compatible with the continued decline in underlying price pressures, while it is expected to contribute to the euro area development prospects, which so far remain relatively weak. In addition, the ECB President confirmed that on the basis of the latest available data, in conjunction with low medium-term inflation expectations given the sluggish economic activity and subdued monetary dynamics, the ECB key interest rate is expected to remain at present or even lower levels in the future.

During the year, the ECB continued to support money markets through liquidity-providing operations with a maturity of one week, one maintenance period and three months. On 7 November 2013, the ECB Governing Council decided to continue conducting the main refinancing operations and the special-term refinancing operations with a maturity of one maintenance period, as fixed rate tender procedures with full allotment for as long as necessary, and at least until the last reserve maintenance period of 2015, on 7 July 2015. Furthermore, the Governing Council decided to conduct two longer-term refinancing operations (LTROs) of a three-month maturity, dated 8 and 30 October 2013, as fixed rate tender procedures with full allotment. The provision of liquidity and the refinancing operations' allotment methods will continue to ensure that the euro area Monetary and Financial Institutions (MFIs) face no restrictions on the liquidity provided by the ECB.

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



Given that the non-standard monetary policy measures are temporary in nature, the ECB Governing Council will continue to closely monitor euro area developments, with the aim of ensuring price stability and aiding euro area growth prospects. At the same time, it should be noted that all monetary policy tools will be used as necessary in order to address potential adverse risks.

Interbank market and interest rate differentials

Money market interest rates continued to decline in recent months, reaching very low levels. This decline reflects the large excess liquidity generated in the interbank money market by the ongoing implementation of various unconventional measures to increase available liquidity from the ECB, as well as the decision of the ECB Governing Council on 7 November 2013 to further reduce its key interest rate by 25 basis points. As a result, the volatility in money market rates fell and EONIA stabilised at low levels at the beginning of this year and until mid-November 2013 (**Chart A.10**), at around 0,08% on average compared with an average of 0,25%, a record low, in the corresponding period of 2012, and is close to about 10 basis points higher than the deposit facility rate, which stands at 0% since 11 July 2012. On 15 November 2013, the EONIA rate was 0,08%, recording one of the lowest levels in the past five years.

On 31 October 2013, the 1-month, 3-month and 12-month EURIBOR stood at 0,13%, 0,23% and 0,55%, respectively, showing marginal deviations compared with early 2013. The spread between the 12 and 1-month EURIBOR, which is an indicator of the slope of the money market yield curve, exhibited a downward path since the beginning of this year and then stabilised from June 2013 onwards, reaching 42 basis points on 31 October 2013 compared with 50 basis points on 31 January 2013 (**Chart A.11**).

The spread between the 3-month EURIBOR and

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

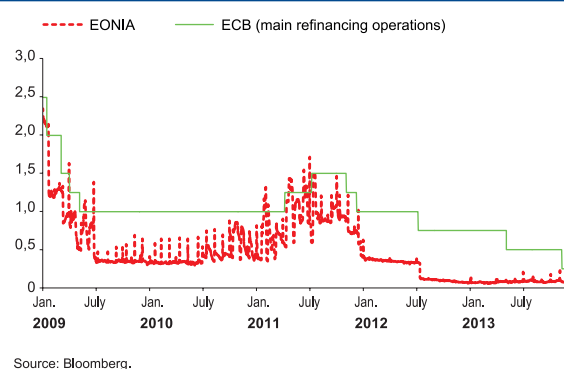
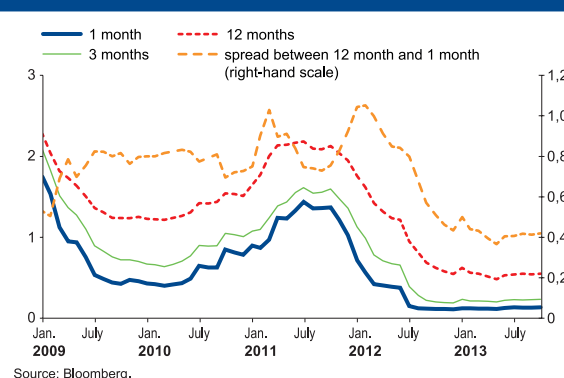


CHART A.11 EURIBOR (selected durations)
(% per annum, monthly data)



the OIS³ products illustrated in **Chart A.12**, continues to remain stable at low levels during the first 11 months of 2013 compared with the same period in 2012, from 0,12% in mid-November 2012 to 0,11% on 15 November 2013. This reflects improving conditions in the euro area money market following the successive operations of LTROs by the ECB, mainly from the second half of 2012 onwards, with the most recent LTROs implemented in October 2013, and the subsequent creation of excess liquidity in euro area MFIs.

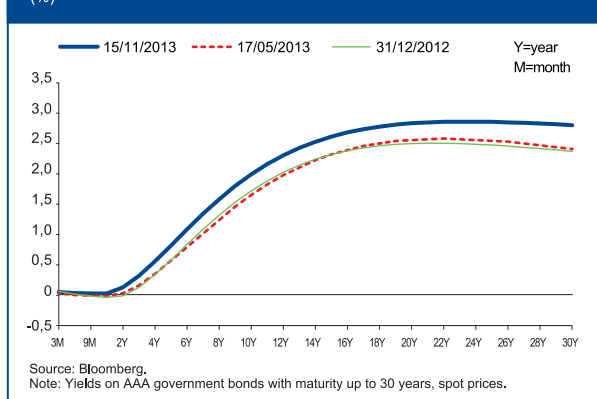
Euro area yield curve

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 15 November 2013), the slope of the curve showed signs of stabilisation, whilst the curve shifted upwards both compared with 17 May 2013 (the cut-off date for data in the *June 2013 Bulletin*) and 31 December 2012. This is due, in part, to the elimination of the uncertainty over the possibility of failing to reach a successful financial agreement in the US, but also to investors' expectations of a partial unwinding of the economic uncertainty in the euro area. The latter also reflects the continuous expansionary monetary policy pursued by the ECB, including its various unconventional measures, as well as the ability to support countries facing distress on their government bond yields through the ECB's OMT programme as announced in September 2012.

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



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



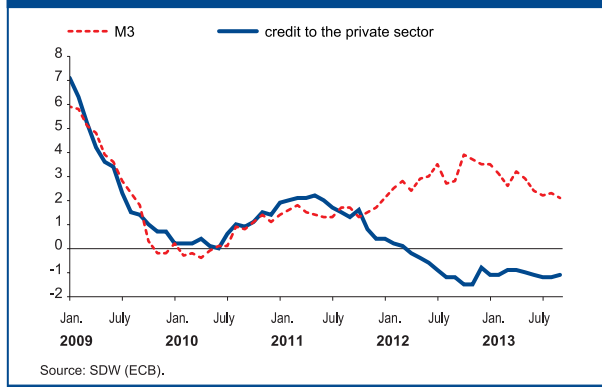
3. OIS (Overnight Index Swaps) are derivative products where EONIA is swapped with a fixed interest rate of selected duration. OIS are used for hedging or speculative moves in the interbank overnight rate or reference rates of central banks.

M3 and credit expansion

The annual growth rate of M3 money supply remained unchanged with an average of 2,7% in the first nine months of 2013 compared with the same period of 2012. In contrast, credit to the private sector continued to record negative growth rates, reflecting net repayments of loans by non-financial corporations and reduced lending by households on the back of reduced market demand, the need for further deleveraging and continued supply side constraints, especially in some euro area countries. Therefore, the gap between M3 and the credit to the private sector remained at around the same levels as those observed since November 2011. However, the annual growth rate of M3 recorded a slowdown in the third quarter of 2013 as compared with the second quarter of 2013 and the corresponding quarter of 2012. Specifically, in September 2013, growth of M3 increased to 2,1% from 2,4% at end-June 2013 and 2,8% in the third quarter of 2012 (**Chart A.14**). This slowdown is mainly attributed to reduced overnight deposits as well as the significant outflows recorded in marketable instruments.

As regards 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, although it showed signs of stabilisation (**Chart A.14**). More specifically, the growth of credit to the private sector was -1,1% at end-September 2013, unchanged compared with at end-June 2013, but recording a marginal improvement compared with -1,2% at end-September 2012. Focusing on the category of loans, the annual growth of loans to non-financial corporations recorded a further reduction of 3,6% in the third quarter of 2013⁴ compared with negative growth rates of 3% and 1,9% in the second quarter of 2013 and the fourth quarter of 2012, respectively. The above figures reflect weak economic activity in the euro area resulting in reduced demand for business

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



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

loans. Sluggish growth rates were also recorded in the category of loans to households, specifically 0% in the third quarter of 2013, recording a further slowdown compared with an increase of 0,2% in the previous quarter of 2013 and 0,4% in the fourth quarter of 2012.

According to the results of the October 2013 Bank Lending Survey in the euro area, the participating banks expect net easing of credit standards for loans to businesses in the fourth quarter of 2013 compared with the previous quarter, for the first time since the fourth quarter of 2009. A similar degree of net easing is expected for loans to households both for house purchase and consumption purposes.

Meanwhile, in the fourth quarter of 2013 a slight increase in net demand for all categories of loans by both households and businesses is expected.

2. Domestic Prices, Monetary Aggregates and Labour Costs

On the basis of projections in the context of the second review of the MoU, HICP inflation is expected to post a significant drop in 2013 to 0,8% compared with 3,1% in 2012. The disinflation in 2013 is mainly attributed to the projected decline in energy prices and the increasing downward pressure on prices due to the worsening of the recession in the Cyprus economy. The HICP excluding energy in 2013 is expected to also record a significant drop to 0,8% from 2,0% in 2012. Based on the most recent data, inflation in 2013 is expected to turn out lower than previously projected.

Prices

Domestic inflation based on the Consumer Price Index (CPI) continued its downward trend and by October 2013 stood at -1,6% compared with -1% in the two previous months. For the period January-October

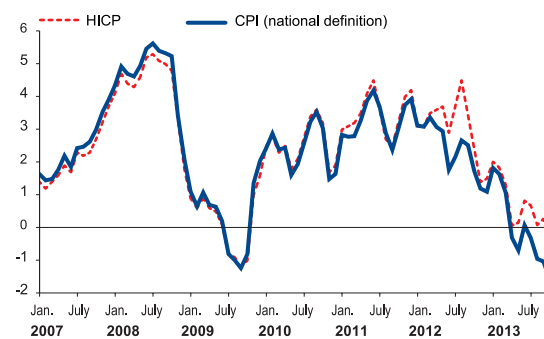
2013, the CPI remained unchanged compared with an increase of 2,6% in the corresponding period of 2012. At the same time, inflation, as measured by the HICP, also recorded a significant decrease to -0,5% in October 2013 compared with 0,3% in September 2013 and 2,6% in October 2012. During the period January-October 2013 the HICP recorded an annual increase of 0,7% compared with 3,4% in the same period of 2012 (**Chart A.15**). During the aforesaid period, lower inflation compared with the same period last year was recorded in all the components of the HICP apart from processed food, as the latter includes alcoholic beverages and tobacco products that incorporated the increase in excise duties and, at least partly, the increase in the standard VAT rate in January 2013. Inflation excluding energy during the period under review decreased to 0,7% compared with 2,2% in the corresponding period last year.

More specifically, in the energy component (**Chart A.16**), the downward impact of lower oil prices and the decision of the Cyprus Energy Regulatory Authority (CERA) to reduce the price of electricity as from April 2013, outweighed the upward pressures from increased excise duties and VAT from 17% to 18% in January 2013. This development resulted in consecutive drops in energy inflation since April 2013. Therefore, in the first ten months of 2013 inflation stood at 0,4% compared with 15,5% in the corresponding period of 2012.

Food prices (**Chart A.17**) in the first ten months of 2013 increased by 3,7%, as in the corresponding period of 2012. Food inflation remained stable, as higher processed food inflation fully offset the decline in unprocessed food inflation. According to the latest available data, in October 2013 unprocessed food inflation was in the order of 2,5% compared with 4,1% in October 2012.

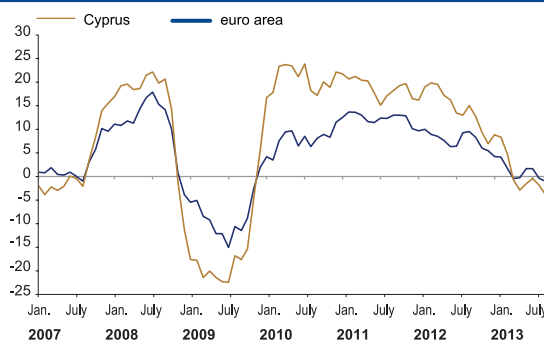
As regards processed food, inflation stood at 4,5% for the period January-October 2013, well above the 1,9% recorded in the corresponding period of 2012. The aforesaid acceleration of inflation, despite

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



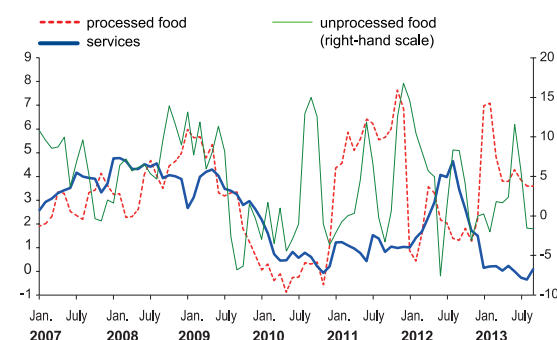
Source: Cystat.

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.

the moderation in inflation in key categories of this component such as bread, milk and cereals, was mainly attributed to the increase in excise duties and VAT on alcoholic beverages and tobacco products.

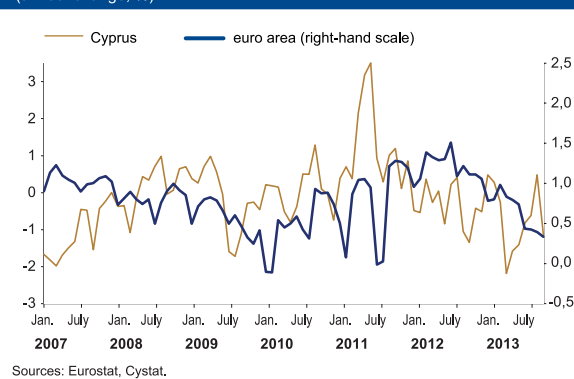
Excluding energy and food, which together represent approximately 30% of the HICP, inflation was 0,2% in the period January-October 2013 compared with 1,8% in the corresponding period of 2012. This significant decline in core inflation was mainly due to the economic recession in Cyprus and the resulting downward pressure on prices.

Non-energy industrial goods inflation (**Chart A.18**) was -0,7% in the first ten months of 2013 compared with -0,4% in the corresponding period of 2012, reflecting the downward pressure on prices in a component of the HICP which virtually bears all of the increase in the standard VAT rate from 17% to 18% in January 2013. In October 2013 the prices of non-energy industrial goods fell by 1,2% against a decline of 1,4% in the same month of 2012.

Chart A.17 (p.28) also depicts the annual percentage change in the prices of services, which in the first ten months of 2013 posted zero growth compared with 2,8% in the corresponding period of 2012. As in the case of non-energy industrial goods, the trend of services prices reflects the downward pressures on inflation in the wake of the extremely adverse economic conditions and the consequent decline in consumption. In October 2013 the percentage increase in the prices of services was -0,7 % compared with 2,7 % in October 2012.

Since November 2012, domestic inflation has fluctuated below its euro area counterpart. More specifically, for the period January - October 2013, inflation in Cyprus was on average lower than in the euro area for all HICP components except for processed food. Excluding energy and food, inflation in the aforesaid period was around -0,2% in Cyprus, compared with 1,1% in the euro area.

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



Monetary aggregates^{5,6}

The significant slowdown in the annual growth rate of loans to the private sector in 2012 deteriorated further during the first nine months of 2013, during which it recorded negative growth rates as well. More analytically, at the end of September 2013, loans to the domestic private sector decreased by 2,6%, compared with -1% in June 2013 and positive growth rate of 2,2% in September 2013. The negative growth rates recorded at the end of September 2013 mainly reflect the negative developments in the Cyprus economy as a consequence of the decisions taken regarding the Cyprus MoU, which resulted in significant turmoil and upheavals in the domestic banking system. It should be noted that at the end of the third quarter of 2013, the annual growth rate of loans to the domestic private sector was at its second lowest in the last seven years (where comparable data are available), and this is reflected in the historically low or negative rates of growth in the most important categories of loans, i.e. to households and non-financial corporations (NFCs). A similar picture has also been observed in the growth rate of domestic private sector deposits. More specifically, for the period March-September of 2013, it recorded consecutive negative growth rates reflecting the severe undermining in the credibility of the Cypriot banking system, following the decisions of the Eurogroup. In particular, it was decided, *inter alia*, to bail in a significant proportion of uninsured deposits at the Bank of Cyprus due to the recapitalization of the bank, and to sell various operations of Cyprus Popular Bank Public Co Ltd to the Bank of Cyprus. It should be noted, however, that the annual growth rates of deposits for the period March-September 2013 do not include any adjustments arising from the enforcement of the “Sale

5. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the Technical Notes on p.71.

6. 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 Monetary Financial Institutions 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*.

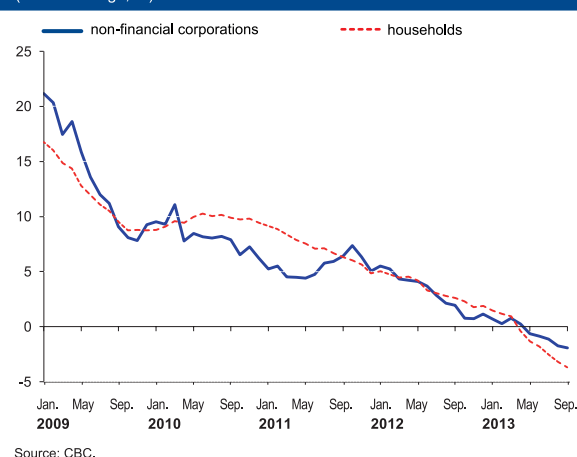
of Certain Operations of Cyprus Popular Bank Public Co Ltd Decree of 2013” and the “Bailing-in of Bank of Cyprus Public Company Limited Decree of 2013”.⁷

In line with the above, the October 2013 Bank Lending Survey (BLS) showed that, in the third quarter of 2013, banks tightened their credit standards for all loan categories. The tightening was of the same extent as in the second quarter of 2013 on loans to NFCs and smaller than the corresponding tightening in the second quarter of 2013 on loans to households for house purchases, other lending purposes and consumer credit. According to the banks participating in the BLS, during the fourth quarter of 2013, a tightening of credit standards for loans to households and NFCs is expected at the same level as in the third quarter of the year. Moreover, demand for loans by enterprises and households (housing purchases, other lending purposes and consumer credit) in the fourth quarter of 2013 is expected to decrease, once again to a smaller extent than in the third quarter of 2013.

A further analysis of monetary aggregates shows that the annual growth rate of loans to the private sector recorded negative growth of -2,6% at the end of September 2013, compared with -1% at the end of June 2013, and was well below the 2,2% positive growth recorded in the third quarter of 2012. This is due to the fact that households and NFCs are in the process of repaying their loans and restructuring their portfolios and balance sheets respectively due to unfavourable macroeconomic conditions prevailing in the domestic economy. On the other hand, banks are cautious in granting new loans due to reduced liquidity in the banking system. Therefore they mainly propose the rescheduling of existing loans. Consequently, continued negative growth rates are registered both in loans to NFCs and households, while significant negative growth rates are recorded in consumer loans to households as well (**Chart A.19**).

The negative growth of loans to domestic NFCs

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



7. According to the statistical treatment already implemented for the provisions of the above mentioned decrees, these impairment acts of deposits should not be considered as financial transactions. Therefore, do not affect the growth rate. These impairments are only reflected in the total outstanding amounts of deposits.

reached -1,9% in September 2013, which represents the lowest growth rate recorded over the previous seven years. In line with the above, and in accordance with the results of the latest BLS, in the third quarter of 2013 businesses reduced their demand for loans due to their lower financing needs for fixed investments and, to a lesser extent, due to the reduction in their need to finance inventories and working capital. Furthermore, during the third quarter of 2013, the main factors that contributed to the stricter policy of banks regarding loans to businesses were, on the one hand, the expectations regarding general economic activity and, on the other hand, the cost associated with the capital position of banks as well as their liquidity position.

As regards lending to domestic households, this reached -3,7% at the end of the third quarter of 2013, which is the lowest growth rate recorded over the last seven years (based on comparable data). Similar patterns of significant slowdown or negative growth rates are exhibited in all sub-categories of loans to households (**Table A.1**). For instance, in September 2013, housing loans to domestic residents registered a historically low growth rate of -4,6%. According to the results of the BLS, in the third quarter of 2013 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 use of households' savings not related to the housing market.

With regard to deposits, the annual growth of domestic private sector deposits, which as previously mentioned does not reflect the bail-in of deposits, recorded, for the first time in seven years, negative growth rates from March 2013, reaching -10,9% in September 2013. This was the first time in seven years that the growth of domestic development reflected the negative changes in the categories of both domestic households and NFCs but also in insurance corporations and pension funds.

Table A.1 Loans to domestic households ^{(1), (2)}

	Outstanding balance as % of total ⁽³⁾	Annual percentage change					
		2012 June	2012 Sep.	2012 Dec.	2013 Mar.	2013 June	2013 Sep.
Domestic households	100,0	3,3	2,6	1,9	0,9	-1,8	-3,7
1. Consumer credit	13,8	0,5	-0,5	-1,0	-1,1	-6,9	-9,7
2. Lending for house purchase	53,4	2,7	1,9	0,9	-0,3	-2,9	-4,6
3. Other lending	32,8	5,7	5,2	4,7	3,9	2,4	0,6

Source: CBC.

(1) Sectoral classification is based on ESA 95.

(2) Including non-profit institutions serving households.

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

More analytically, the annual growth rate of deposits by domestic households (**Chart A.20** and **Table A.2**) remained at the lowest levels recorded over the last few years and more specifically at -6,7% in September 2013. It should be noted that the continued slowdown and negative growth rates in deposits since the second half of 2011 are consistent with the general uncertainty prevailing in the domestic and international macroeconomic environment, while they intensified after March 2013, following the Eurogroup decisions on the Cyprus MoU. The recent turmoil in the domestic economy, the additional restrictive government decrees concerning capital controls, the reduced disposable income, the high unemployment rate, the 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 improvement of the deposit base of our banking sector in the short term.

On account of the negative economic developments, deposits with an agreed maturity recorded the highest negative growth in the last seven years, reaching -10,1% at the end of the third quarter of 2013 (**Table A2**). Moreover, deposits redeemable at notice continued to decrease both last year and this year, registering negative growth of -11% at the end of the third quarter of 2013. It should be noted that the decrease observed in short-term agreed maturity deposits and also in redeemable at notice deposits, with a parallel increase in the corresponding long-term deposits, is mainly due to the inclusion of the legacy Laiki Bank (as recently renamed the “Bad” Laiki Bank) in monetary aggregates in May 2013 and the conversion of all uninsured deposits into long-term deposits. Growth rates in deposits of domestic NFCs continued to be negative (**Chart A.20**) and decreased significantly, by 10,3%, at the end of September 2013. It should be noted that the negative growth of these deposits recorded in recent months is consistent with

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

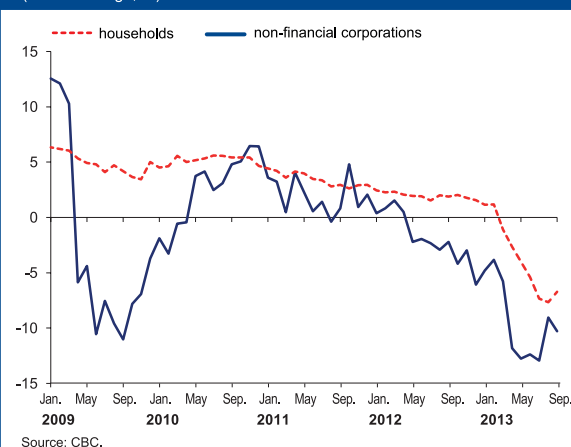


TABLE A.2 Deposits of domestic households ^{(1), (2)}

	Outstanding balance as % of total ⁽³⁾	Annual percentage change					
		2012 June	2012 Sep.	2012 Dec.	2013 Mar.	2013 June	2013 Sep.
Domestic households	100,0	1,9	1,9	1,6	-1,1	-5,4	-6,7
Overnight	17,7	1,0	-0,6	-0,9	-0,6	0,9	14,3
With agreed maturity	74,6	3,6	4,0	3,7	-0,1	-5,0	-10,1
up to 2 years	70,6	3,4	3,8	3,7	0,1	-7,1	-12,0
over 2 years	4,0	9,2	7,7	3,6	-2,4	14,9	6,4
Redeemable at notice	7,7	-10,4	-11,4	-12,5	-11,1	-20,3	-11,0
up to 3 months	4,8	-13,5	-15,0	-16,8	-13,9	-22,9	-19,8
over 3 months	2,9	-1,5	-1,6	-0,6	-3,7	-13,7	9,5

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.

the prolonged downturn in economic activity, which has resulted in reduced corporate earnings. As a result, many companies have been forced, in part, to use their savings to cover their operational costs in terms of both capital and operating expenditure. For instance, these deposits may be used for the payment of rent and taxes and also in many cases for the repayment of business loans to financial institutions.

As for the total deposits of non-residents, including deposits by companies without a physical presence in Cyprus ("brass plates"), these recorded historically low negative growth of -41,5% at the end of the third quarter of 2013. More specifically, in the third quarter of 2013, the growth rate of the deposits of non-residents NFCs, including deposits by companies without a physical presence in Cyprus ("brass plates") decreased, year on year, by 42,1%, the highest negative rate of change in this category of deposits in the last seven years. These developments were partly due to the sluggish economic environment, which has led to the slowdown in entrepreneurial activity and the continuous outflows of deposits as a result of the economic and financial uncertainty prevailing in the domestic economy, following Eurogroup decisions of March 2013. The corresponding deposits of non-resident households displayed a similar pattern, registering a historical negative growth rate of -43% at the end of September 2013.

Interest rates

During the first nine months of 2013, most lending rates in Cyprus, despite remaining at high levels on average, recorded a slight decrease compared with both the end of 2012 and the corresponding period of 2012. So far, factors such as the level of deposit rates, liquidity shortage faced by most domestic banking institutions, the increased risk faced by banks for granting new loans because of rising of non-performing loans as

well as the adverse macroeconomic conditions in the domestic environment have contributed significantly to high domestic interest rates. However, the successful implementation of the MoU, the restructuring of the Cypriot banking system, the reduction in the domestic deposit rates after the proposal of the CBC regarding deposit rates (which states that, as from May 2013, the CBC will require additional capital from credit institutions that offer higher deposit rates) as well as the recent further reduction in the key ECB interest rate, are factors that are expected to contribute to a reduction in domestic lending rates in the near future.

More analytically, at the domestic level, the average interest rate on new euro-denominated loans to euro area households by Cypriot MFIs with an initial rate fixation of up to one year, as well as the cost of borrowing on new euro-denominated loans by MFIs in Cyprus to NFCs, showed small fluctuation trends during the third quarter of 2013 compared with both the end of 2012 and the corresponding period in that year. Nevertheless, they remained at high levels compared with other euro area countries. For instance, in September 2013, the average interest rate on housing loans and other lending to households reached 5,44% and 6,46%, 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 6,63% and 6,16%, respectively (**Table A.4**). It should be noted however, that lending rates recorded in the last months, reflect, in part, the level of interest applicable to rescheduling of loans by banks to households and businesses.

Unlike with the above, most euro area interest rates on loans from MFIs (**Chart A.21**, p.36) recorded a slightly downward trend on average from the beginning of 2012 onwards. This trend continued during the first nine months of 2013. The consecutive reductions in key ECB interest rates with the most recent in November 2013, when the key ECB rate was reduced to a historically low 0,25%, mainly contributed

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

			Floating rate and up to 1 year initial rate fixation		
		Bank overdrafts ⁽²⁾	Consumer Credit	Lending for house purchase	Other lending
2012	June	7,34	7,14	5,47	6,88
	July	7,31	7,18	5,36	6,95
	Aug.	7,33	7,30	5,05	6,53
	Sep.	7,34	6,92	5,34	6,58
	Oct.	7,30	7,34	5,32	6,78
	Nov.	7,32	7,10	5,22	6,82
	Dec.	7,33	6,83	5,32	6,66
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.	7,41	6,90	5,44	6,46

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)

		Floating rate and up to 1 year initial rate fixation		
		Bank overdrafts ⁽¹⁾	Other loans up to €1 million	Other loans over €1 million
2012	June	7,10	7,44	6,87
	July	6,96	7,37	6,31
	Aug.	6,94	7,44	6,79
	Sep.	6,90	7,20	6,63
	Oct.	6,92	7,03	6,23
	Nov.	7,05	7,18	6,96
	Dec.	7,07	7,29	6,70
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.	6,84	6,63	6,16

Source: CBC.

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

to this development. For example, at the end of the third quarter of 2013, the average rate on new loans to households for house purchase and other lending reached 2,82% and 2,70%, respectively. An easing of borrowing costs was also recorded on loans to euro area NFCs of up to and over €1 million, which at the end of September 2013 stood at 3,76% and 2,15%, respectively.

The above analysis shows that the greatest differences 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.

With respect to the deposit rates offered by Cyprus MFIs to households and NFCs (**Table A.5**), these recorded a sharp decrease from April 2013 onwards. This decrease was mainly due to the proposal of the CBC, which was announced in April 2013 and states that if a credit institution offers deposit rates which exceed EURIBOR + 300 bp, then the credit institution in question must maintain additional capital. Indicatively, in September 2013 the average rate on new deposits for households with an agreed maturity of up to one year reached 2,20%, while the corresponding rate for NFCs for the same reference period stood at 1,90%.

Although deposit rates in the euro area are at much lower levels than in Cyprus, they recorded a further decrease in September 2013 (**Chart A.22**, p. 37). More specifically, the average interest rate on euro-denominated deposits by households with an agreed maturity of up to one year stood at 1,71% at the end of the third quarter of 2013. The corresponding rate on deposits by NFCs reached 0,81% in March 2013.

Banks in Cyprus have maintained their margin between lending and deposit rates for NFCs. The respective margins for households are at lower levels, mainly on account of the higher deposit rates offered to them. According to the latest ECB data for March 2013, Cyprus had the highest lending rate, with an initial rate fixation of up to one year on both housing loans

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

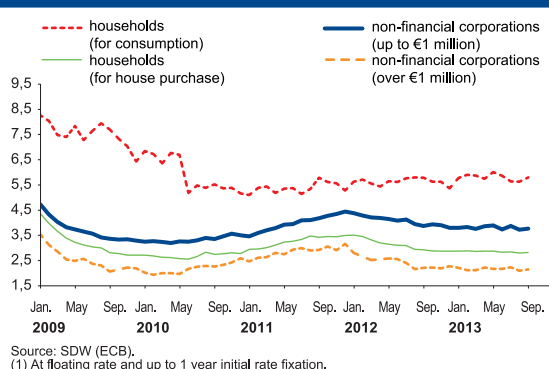


TABLE A.5 Cyprus MFI interest rates on euro-denominated deposits (new business) by euro area residents
(% per annum, period average)

		Households ⁽¹⁾			Non-financial corporations	
		With agreed maturity			Overnight ⁽²⁾	With agreed maturity up to 1 year
		Overnight ⁽²⁾	Up to 1 year	Over 1 and up to 2 years		
2012	June	1,07	4,33	4,71	0,49	3,54
	July	1,09	4,41	4,72	0,54	4,16
	Aug.	1,09	4,43	4,71	0,56	4,14
	Sep.	1,10	4,43	4,67	0,54	3,52
	Oct.	1,10	4,45	4,69	0,54	4,07
	Nov.	1,10	4,47	4,69	0,55	4,21
2013	Dec.	1,10	4,52	4,72	0,59	4,10
	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

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

and corporate loans up to €1 million in the euro area. Regarding euro-denominated deposit rates with an initial rate fixation of up to one year, Cyprus's rates are ranked the second highest in the euro area after Greece.

Labour costs

Labour costs in the first half of 2013 registered a significant decline compared with the same period in 2012, mainly driven by the contraction in economic activity. More specifically, the annual rate of change of the compensation per employee was of the order of -4,5% in the first half of 2013 compared with a decrease of 1,1% in the corresponding period of 2012 (**Chart A.23**). This development is mainly the result of the annual reduction of 4,5% recorded in the compensation per employee of the private sector employees in the first half of 2013 and reductions in salaries and pensions of government employees. It should be noted that despite the increased costs in gratuities due to early retirement, expenditure per public sector employees recorded an annual decrease of 5,6% during this period. As regards the sectoral breakdown, declines were mainly observed in the secondary and tertiary sector; the services that constitute about 80% of total employment, was the main cause of the observed annual reduction in the compensation per employee. More specifically, the compensation per employee in the tertiary sector registered an annual decrease of 4,4% in the first half of 2013, compared with a decrease of 0,9% in the corresponding period of 2012 (**Chart A.23**).

Regarding the compensation per employee in real terms, a significant annual decrease of 4,6% was recorded in the second quarter of 2013, compared with decreases of 6,1% in the first quarter of 2013 and 4,3% in the second quarter of 2012 (**Chart A.24**, p.38). This development was mainly due to the significant decline recorded by compensation per employee compared with the growth rate of the price level. As far as productivity calculated as the change in real GDP per person employed is concerned,

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

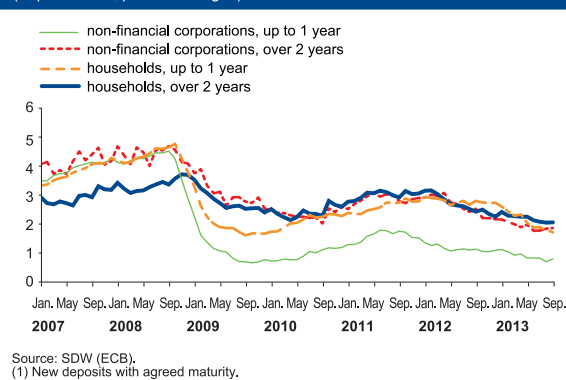
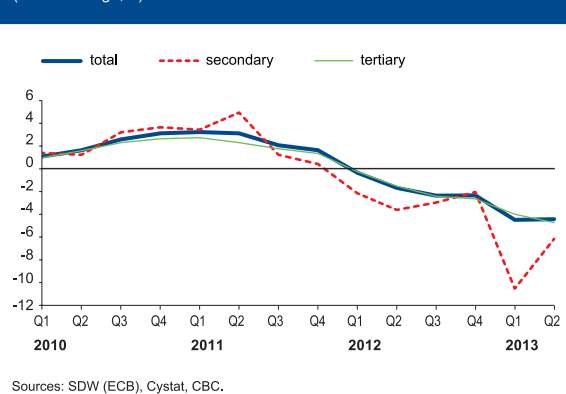


CHART A.23 Nominal compensation per employee by sector
(annual change, %)



the indicator registered annual zero growth in the first half of 2013 compared with an increase of 0,6% in the first half of 2012. (**Chart A.24**).

Unit labour costs, determined by the reduction in nominal compensation per employee and productivity change, recorded an annual decrease of 4,6% in the first half of 2013 compared with a decrease of 1,7% in the corresponding period of 2012. In contrast, unit labour costs in the euro area recorded a further increase of 1,8% in the first half of 2013, the same as in the first half of 2012 (**Chart A.25**). Unit labour costs is an important indicator of competitiveness for an economy relative to its competing economies, reflecting the cost of labour per unit of output. Therefore, it is important for an economy in the medium and long term to maintain the relative index low.

3. Domestic Competitiveness and Balance of Payments

Effective exchange rate

Chart A.26 shows the effective exchange rate (EER) of the national currency, the real EER index (REER), as calculated by the IMF and the real and nominal EER index, as calculated by the CBC⁸. This diagram shows a strengthening trend of REER indices during the last four months of 2012, as well as during the first two months of 2013, while a weakening trend is recorded from March to September 2013. In general, the path of the REER reflects the state of the euro and the low inflation rate recorded in Cyprus after the events of March and the subsequent deterioration of economic activity.

The REER, inflation and unit labour costs are important figures determining the degree of competitiveness of the economy. More specifically, higher unit labour costs and higher REER in Cyprus compared to competing countries suggest that domestic exports are more likely to be less price competitive increasing the preference for imported

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

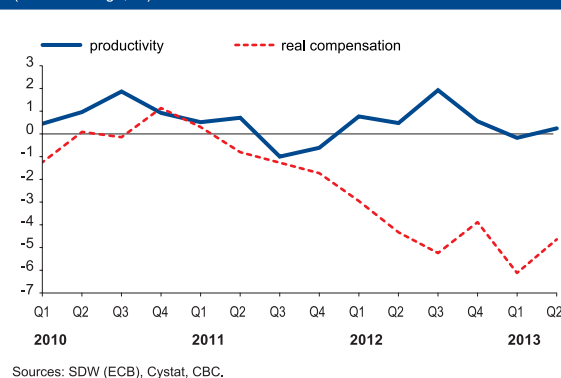


CHART A.25 Unit labour costs: Cyprus and the euro area
(annual change, %)

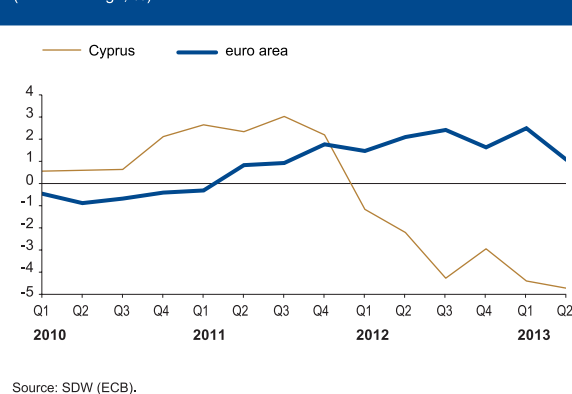
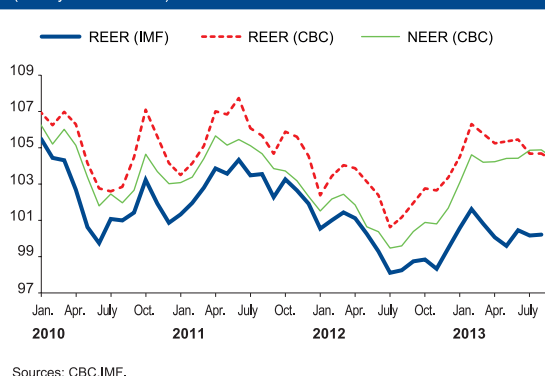


CHART A.26 Real and nominal effective exchange rates of the Cyprus currency (IMF weights)
(base year 2005=100)



8. The effective exchange rate in real terms ("REER IMF") is calculated by the IMF and takes into account third-country competition with 19 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").

products over domestic. Inflation is related, among other things, with the above mentioned variables and therefore it also reflects the degree of competitiveness. The adoption of measures affecting salaries of public sector employees within the framework of the MoU, as well as salary reductions observed in the private sector are expected to further reduce unit labour costs for the whole economy, which, other things being equal, will contribute in the improvement of competitiveness in the medium term, as well as the recovery of the economy as a whole.

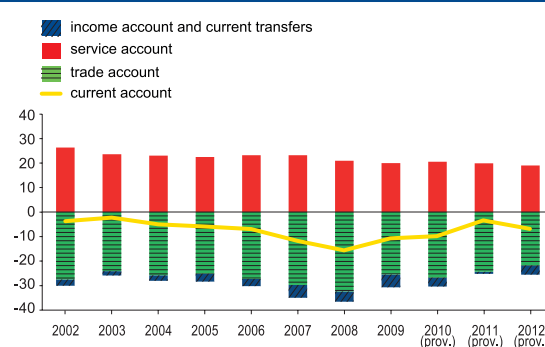
Balance of payments

The current account deficit (**Chart A.27**) in the first half of 2013 recorded a significant improvement registering a deficit of €150,3 million compared with a deficit of €652,7 million in the corresponding period of the previous year. This positive development is mainly due to the improvement recorded in the balance of goods and services, which is a more important variable for the analysis of the competitiveness of a small open economy such as Cyprus.

More specifically, the deficit of the goods and services balance registered a significant improvement of the order of €1.381,6 million in the first half of 2013 compared with a deficit of €1.904,1 million in the first half of 2012. This improvement was mainly due to the significant decrease of €535,1 million in imports of goods compared to the first half of 2012. More recent data for the first nine months of the year are presented in **Table A.6**.

The surplus recorded in the services account for the first half of 2013 fell by €128,6 million compared to the corresponding half of 2012. This deterioration is mainly due to the decrease in exports of services. The significant decrease in exports was recorded in the category of other business services that includes revenues associated with the triangular trade

CHART A.27 Current account
(% GDP)



Source: CBC.

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

	Imports	Exports	Trade deficit
2011	6.310,5	1.404,0	4.906,5
2012	5.740,5	1.420,5	4.320,0
annual % change	-9,0	1,2	-12,0
2012 Jan.-Sep.	4.351,1	1.078,0	3.273,1
2013 Jan.-Sep.*	3.557,0	1.201,0 ¹	2.356,0
annual % change	-18,2	11,4	-28,0

1. Total exports/dispatches for April & September 2013 include the transfer of economic ownership of mobile transport equipment with total value of €66,9 million and €24,5 million respectively.

* provisional data.

Source: Cystat.

(merchandising), with lawyers, accounting and business consulting services), which recorded a decrease of 16,1% (or €155.5 million) and revenue from financial services, which recorded a decrease of 31,5% (or €84,3 million). The revenues from travel, which include revenues from tourism increased by 1% in the first half of 2013 (or €7,5 million) as a result of increases in tourist arrivals and per-capita spending. As regards imports of services, a slight decrease was recorded mainly reflecting reductions in the categories of transport and financial services. More specifically, the cost of transport decreased by €58,1 million (10%), mainly due to the reduction in the import of goods. Furthermore, a notable reduction was recorded in the spending on financial services, which fell by €32,5 million (44,5%).

It is important to note that the improvement in the current account is also partly due to the smaller deficit recorded in the income account, which reached €95,2 million in the first half of 2013 compared with a deficit of €145,6 million in the corresponding half of 2012. This improvement is primarily due to the net income from investment portfolio, which recorded a significant improvement of the order of €86,8 million and secondly in net income from direct investment which recorded improvements of the order of €76,4 million during the period under consideration .

The financing of the current account deficit (**Chart A.28**) in the first half of 2013, was mainly from net inflows of around €94,3 million from foreign direct investment, and net inflows of around €10.967,4 million from portfolio investment. Net outflows recorded from other investments of around €11.228,3 million during the period under review, were mainly due to significant liabilities of MFIs.

Tourism

According to available data, for the first nine months of 2013 a decrease in arrivals of 3,3% was recorded, while

CHART A.28 Current account financing by foreign direct investment

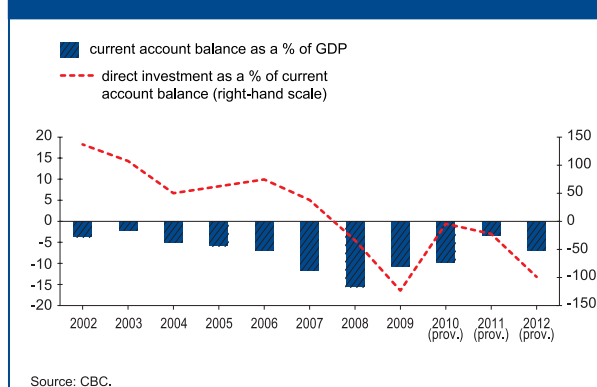


TABLE A.7 Tourism

	Tourist arrivals (thous.)	Tourist receipts (€ million)	Expenditure per person (€)
2011	2.392,2	1.749,3	731,2
2012	2.464,9	1.927,7	782,1
annual % change	3,0	10,2	6,9
2012 Jan. - Sep.	2.064,1	1.611,7	780,8
2013 Jan. - Sep. ¹	1.995,4	1.741,0	872,5
annual % change	-3,3	8,0	11,7
2012 Jan. - Oct. ²	2.326,1	-	-
2013 Jan. - Oct. ¹	2.269,0	-	-
annual % change	-2,5	-	-

(1) Arrivals data for January 2013 are based on Cystat estimations.

Receipts data for January 2013 are based on CBC estimations.

(2) Data for March 2012 are based on Cystat estimations.

Source: Cystat.

revenue increased by 8%, with per capita spending increasing by 11,7 % (**Table A.7**, p.40 and **Chart A.29**). Furthermore, in October 2013, tourist arrivals recorded an annual increase of 4,4 % compared with October 2012. Our experience so far is that 2013 is turning into a much better year for tourism than originally expected. The improved path of tourism partly reflects the negative geopolitical circumstances in competing Mediterranean countries, the efforts of the Cyprus Tourism Organisation (CTO) and the private sector to better promote the Cyprus tourist product and the penetration into new markets such as Russia. In particular, arrivals from Russia increased by 28,5% in the first 10 months of 2013, which contribute to the large increase in income from tourism as Russian tourists seem to have higher per capita spending relative to tourists from other countries. It is obvious that in 2013 the tourism sector remains important for domestic growth and with very good prospects because of perceived penetration into new markets and the emphasis given to new types of tourism product.

4. Domestic Demand, Production and Labour Market

Quarterly National Accounts

After the negative rate of change of -2,4% recorded in 2012, GDP contracted by a further 5,5 % in the first half of 2013. Analytical data for the first half of 2013 (**Charts A.30 (a)** and **A.30 (b)**) show significant deterioration in private consumption which recorded a decrease of 5,8%. A much larger decrease of 21,7% was recorded in gross fixed capital formation. As a result of the deterioration recorded in domestic demand, the imports of goods and services recorded a large decrease of 18,7% in real terms. Exports recorded a further decrease of 8,4%. More recent preliminary data for the third quarter of 2013 recorded a further

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

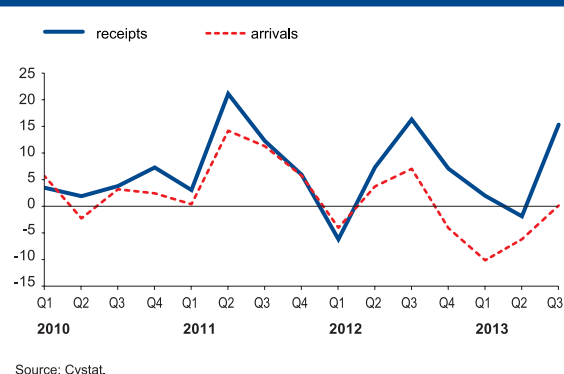


CHART A.30(a) Quarterly GDP growth (expenditure categories)
(annual change, %)

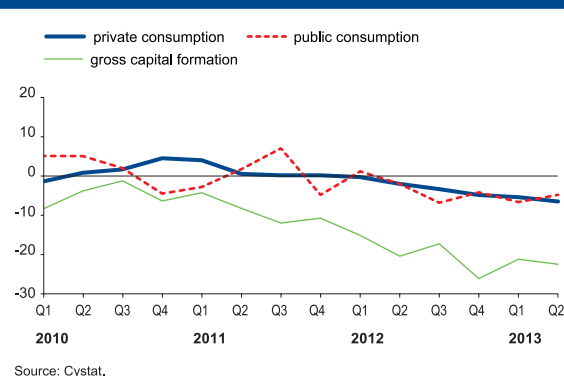
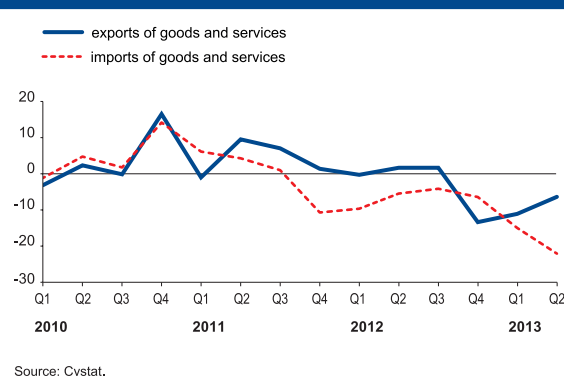


CHART A.30(b) Quarterly GDP growth (expenditure categories)
(annual change, %)



contraction, with GDP falling by 5,5%.

Domestic demand

Recent economic indicators show an improved picture of domestic demand (**Table A.8**) compared with the recent past. More specifically, the Economic Sentiment Indicator (ESI) increased from 76,3 in June 2013 to 83,3 in October 2013. At the same time, the turnover index of retail trade (**Chart A.31**) continued to contract, albeit at a slower rate than in the previous months. A positive path was, however, recorded in receipts from tourism in the third quarter of 2013 reaching 13,1%, while a very good path was recorded for winter tourism, mainly from Russia. In contrast, private sector borrowing and registrations of motor vehicles (**Chart A.32**) continued the downward trend.

Regarding the use of credit cards (**Chart A.33**, p.43) in October 2013 a significant increase of 21,4% was recorded, mainly due to the use of credit cards for the payment of property tax. For the period January - October 2013, the use of credit cards decreased by 5,4% compared with an increase of 5,2% in the corresponding period of 2012.

Construction

During the first ten months of 2013 the construction sector in Cyprus continued to show strong signs of recession, with relevant indicators recording significant deterioration and immovable property prices displaying continuing declines. The further contraction in economic activity and the measures imposed on the financial sector by the Eurogroup decision on March 2013 resulted in continuing reductions in property prices, even in areas that previously seemed to have stabilized. The restrictions on capital flows, the uncertainty prevailing in the labour market and the economy, the March bail-in of deposits, the restricted liquidity, the tighter lending criteria and the expectations

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

	2013 June	2013 July	2013 Aug.	2013 Sep.	2013 Oct.
ESI	76,3	79,8	80,5	82,6	83,3
Industry	-23	-19	-20	-16	-17
Services	-40	-35	-36	-33	-30
Consumer	-60	-57	-52	-53	-53
Retail trade	-32	-30	-31	-31	-25
Construction	-64	-64	-67	-55	-51

Source: European Commission.
Note: Seasonally adjusted data.

CHART A.31 Retail sales (excluding motor vehicles)

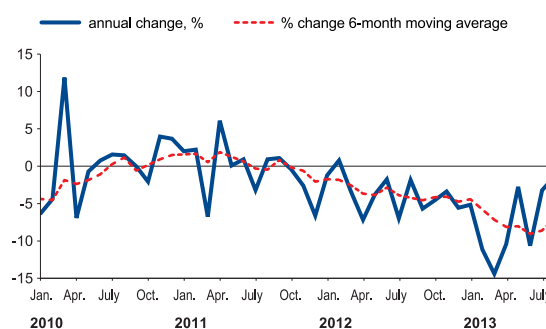
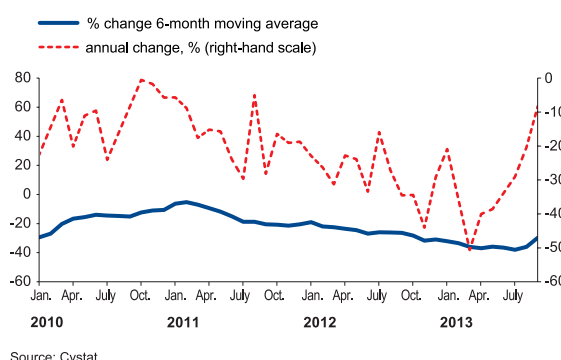


CHART A.32 Registration of motor vehicles



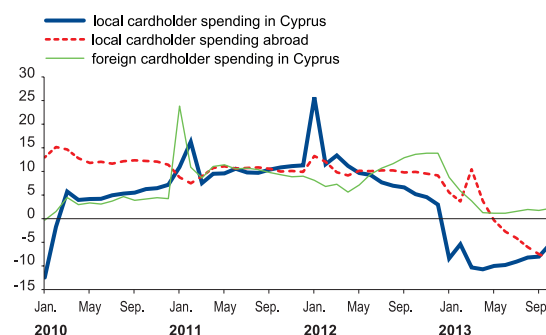
that real estate property supply will increase dramatically due to foreclosures by banks in the future, significantly influenced the property market in the first ten months of 2013.

The downturn in the construction sector is reflected in cement sales, which in the first ten months of 2013 registered an annual decrease of 32,1% (**Chart A.34**). The prolonged downward trend in the number of building permits issued also indicate that in the short run construction activity is expected to remain at low levels. Specifically, according to Cystat, the number of building permits for the first eight months of 2013 recorded an annual decrease of 25% (**Chart A.35**) compared with a decrease of 6,7% in the same period of 2012. Additionally, the price index of construction materials during the second and third quarter of 2013 registered an annual decrease of 1,6% and 0,9% respectively.

Despite these negative developments, the construction sector confidence indicator in Cyprus, as published by the Business and Consumer Surveys (BCS) of the European Commission, registered a slight improvement from -66,7 in the second quarter of 2013 to -62 in the third quarter of the same year (**Chart A.36**, p.44) while the index of intention to build or purchase a home in the next 12 months stood at -88,6 in the third quarter compared with -94,7 in the second quarter of 2013. Nevertheless, the index of property price expectations over the next three months, published in the same survey, showed further deterioration to -40,8 in the third quarter of 2013 compared with -36,3 in the third quarter of 2012.

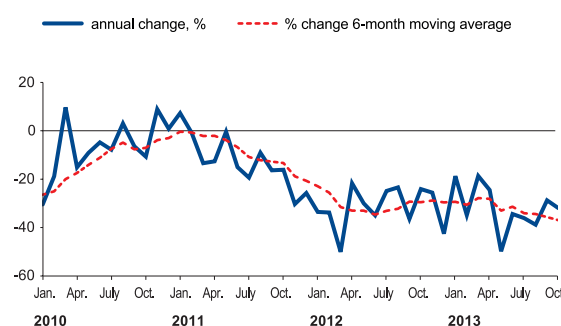
In addition, according to registered unemployment data, the number of unemployed in the construction sector reached 7.234 in October 2013, thus recording an increase of 865 people compared with the same month last year. Moreover, the index of employment expectations in the construction sector for the next three months, published by BCS, improved to -34,6 in the third quarter of 2013 compared to -43,7 in the second quarter of the

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



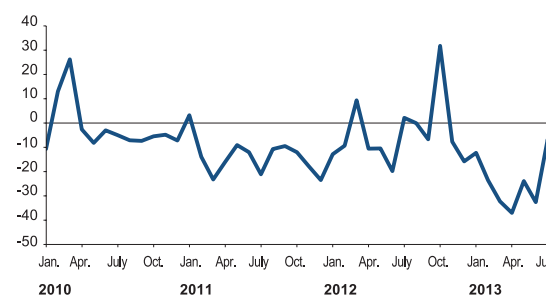
Source: JCC Payments System Ltd.

CHART A.34 Sales of cement



Source: Cystat.

CHART A.35 Building permits authorised
(annual change, %)



Source: Cystat.

same year.

The downturn in construction activity is also shown by the low levels of demand for property as reflected in the Department of Lands and Surveys data. Specifically, in the first ten months of 2013 the total number of title deeds (residents and non-residents) experienced an annual decrease of 43,8% (**Chart A.37**) reflecting reductions of 47,9% and 28,6% for residents and non-residents respectively. A decline in the sales of real estate property was observed in all districts of Cyprus, even in the area of Paphos (22,7%) where a keen interest from foreign buyers, mostly Chinese, was recently registered. The largest decreases were recorded in Famagusta (62,7%) and Nicosia (55,9%).

It is obvious that the lack of liquidity in the property market continues to prevent potential investors, residents or non-residents, from being active in the real estate market and contributes significantly to the ongoing contraction in the construction activity. According to the BLS in the third quarter of 2013, potential buyers of immovable property have still been experiencing difficulties in terms of borrowing but to a lesser degree than those recorded in the last two quarters (**Chart A.38**). However, the criteria for granting mortgage loans have remained at fairly high levels (i.e. the highest since the fourth quarter of 2008) making it particularly difficult for potential buyers to finance any investment.

The high lending rates are also a limiting factor for the housing loans demand by potential property buyers. Interest rates have remained at high levels although they have decreased marginally in the third quarter of 2013 compared with the same period last year. The recent announcements by banks for voluntary reductions in mortgage interest rates are a positive step that may help increase the demand for mortgage loans.

CHART A.36 Construction confidence indicators

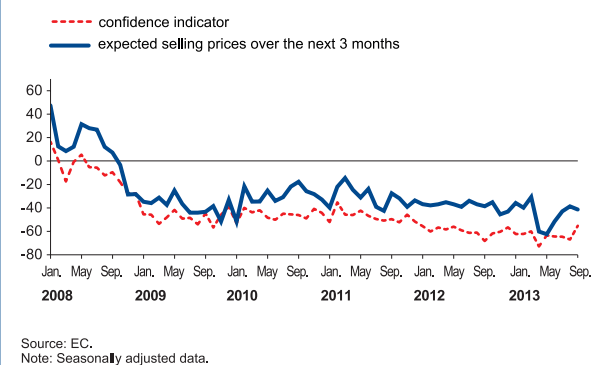


CHART A.37 Sales contracts
(total of locals and foreigners)

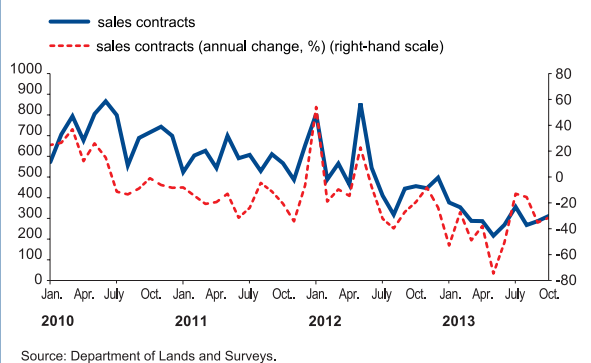
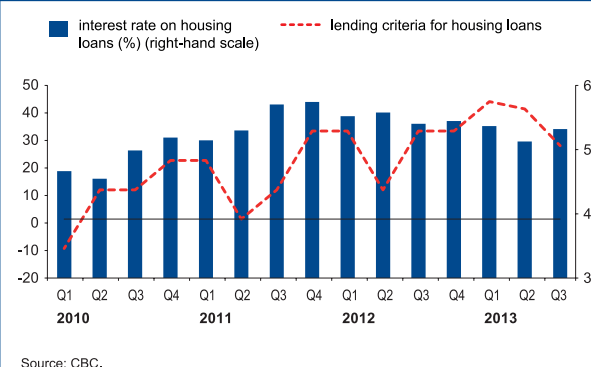


CHART A.38 Lending criteria and interest rates on housing loans



Labour market

In line with the contraction in economic activity, employment recorded a significant annual decrease of 5,6% in the first half of 2013 compared with a decline of 3,3% in 2012 (**Chart A.39**). Total working hours registered a higher decrease of the order of 6,6% in the first half of 2013, thus indicating a 1,1% decline in hours worked per employee. It should be noted that a different picture emerges when comparing the changes in hours per employee and per self-employed because of the apparent tendency of the self-employed to dismiss employees and to work longer hours themselves. Specifically, the hours of self-employed showed a marginal increase of 0,6%, while the hours of employees recorded a decrease of -1,7% during the period under review.

In line with the significant reduction in employment, a dramatic increase in unemployment was also observed. Specifically, the unemployment rate in the first half of 2013 increased by 4,5 percentage points compared with the corresponding period of 2012, reaching a 15,7%, according to LFS data (**Chart A.39**). The path of unemployment is directly linked to the performance of GDP and the uncertainty prevailing in the domestic market.

The abovementioned path is confirmed by Cystat data for registered unemployment, with the most recent data being available up to October 2013 (**Chart A.40**). Specifically, compared with the corresponding month of the previous year, the annual increase in unemployment in October 2013 was 29,8% (from 34.800 to 45.100). Regarding the breakdown between Cypriots and non-Cypriots, it should be noted that unemployment of Cypriots rose by 41,3% in October 2013 compared with the same month last year, while the unemployment of non-Cypriot recorded a decrease of 2,1% and may be due to the departure of non-Cypriot

CHART A.39 Unemployment and employment

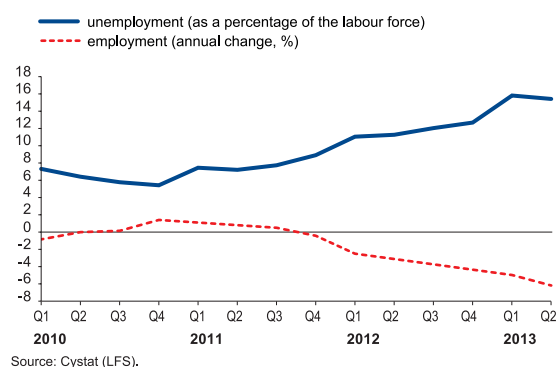
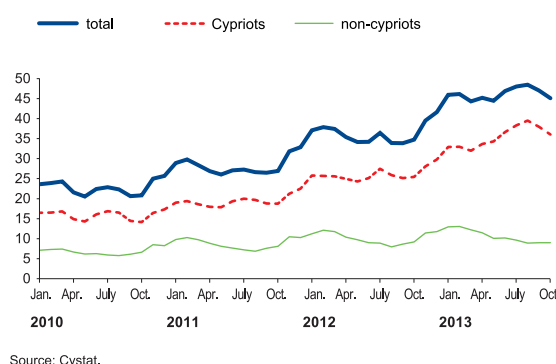


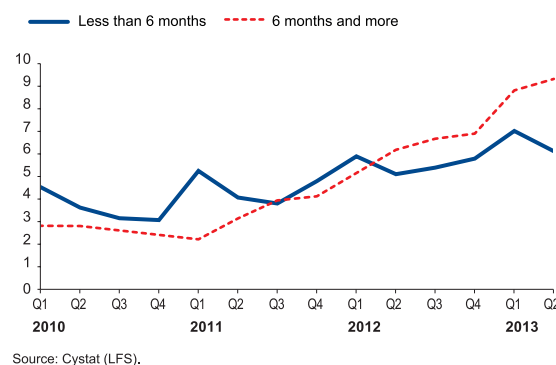
CHART A.40 Registered unemployment
(number of unemployed, thousands)



workers from Cyprus.

As far as the duration of unemployment is concerned, according to LFS data as shown in **Chart A.41**, the unemployment rate with a maturity of six months or more reached 9% in the second quarter of 2013 compared with 8,8% in the first quarter and 6,2% in the corresponding quarter of 2012. According to registered unemployment data from Cystat, the number of registered unemployed of six months or more rose by 6.600 in October 2013 compared with the same month of 2012, while it increased by 1.000 compared with September 2013.

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



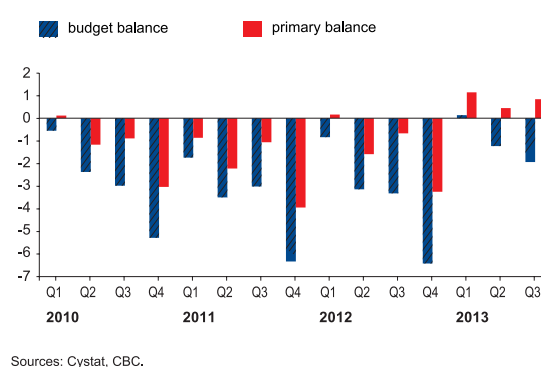
5. Domestic Public Finance Developments

The budget deficit over the first nine months of 2013 exhibited a significant improvement of 1,3 percentage points compared with the same period of the previous year, reaching 1,9% of GDP (**Chart A.42**). This development is mainly due to the more significant year-on-year reduction in expenditure compared with that of revenue over the period under consideration. Moreover, the primary balance⁹ as a percentage of GDP recorded a surplus of 0,8% over the first nine months of 2013 compared with a deficit of 0,7% over the corresponding period of the previous year (**Chart A.42**).

Specifically, based on preliminary data published by Cystat relating to general government revenue and expenditure for the first nine months of 2013 (**Table A.9**, p. 47), public revenue demonstrated a year-on-year decrease of 7,7% (**Chart A.43**, p. 47), largely attributable to the observed reduction in tax revenue of 7,3%, as a result of the significant contraction in economic activity.

As regards direct taxes recorded in the category "Current taxes on income, wealth, etc", these demonstrated a year-on-year decrease of 8,1 % over the first nine months of 2013 (**Table A.9**, p.47). According to data published by the Inland Revenue Department (IRD), this was mainly due to lower revenue from income

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



9. The primary balance is defined as the budget balance excluding interest payments.

tax of physical (employees and self employed) and legal persons by 23,9% and 7,5%, respectively. These reductions are due to the contraction in emoluments and employment as well as a base effect due to one-off revenues from the special settlement of tax debts accumulated as at end-2008. As regards revenue from corporation tax, the relevant decrease is also due to a base effect resulting from the modification of the payment schedule of the relevant tax from three instalments to two as of 2013 and beyond.

With regard to revenue from indirect taxes, a year-on-year decrease of 5,8% was recorded in the category "Taxes on production and imports" over the first nine months of 2013, which includes revenues from VAT (**Table A. 9**). VAT revenues exhibited a year-on-year decrease of 8,5% over the period under consideration, mainly owing to the continued negative growth rates of private consumption and despite the increase to 18% of the standard VAT rate as from 1 January 2013.

The aforementioned reductions were reinforced by the year-on-year reduction of 10,7% in non-tax revenue, which was partially offset by the year-on-year increase of 21,5% in the category "Property income" (**Table A.9**) on account of the large dividend income from the CBC, which is partly due to the release of part of the liability of banknotes denominated in Cyprus Pound that ceased to be legal tender¹⁰.

Regarding developments in public expenditure (**Table A.9**), the significant year-on-year reduction of 11,7 % observed over the first nine months of 2013 is attributable to reductions across almost all spending categories. It is primarily due to the significant year-on-year reduction in expenditure on capital formation less disposals (95,6%), owing to the significant annual reduction in public investment spending (38,4%) as well as the categorisation of the one-off revenues from licensing fees arising from the sale of exploration rights for hydrocarbons in the Cyprus Exclusive Economic Zone (EEZ) as negative capital expenditure according

TABLE A.9 Accounts of general government

	Jan.-Sep. 2012 (million €)	Jan.-Sep. 2013 (million €)	Change %
EXPENDITURE			
Intermediate consumption	619,7	548,0	-11,6
Gross fixed capital formation less disposals ¹	305,9	13,6	-95,6
Compensation of employees	1.982,9	1.811,8	-8,6
Other taxes on production	0,3	0,1	-66,7
Subsidies payable	68,4	66,2	-3,2
Interest paid	470,6	456,2	-3,1
Social benefits	1.923,6	1.819,5	-5,4
Other current transfers	275,1	261,9	-4,8
Capital transfers payable	54,9	59,2	7,8
Total expenditure	5.701,4	5.036,5	-11,7
Total expenditure as a % of GDP	32,2	30,7	
REVENUE			
Market output & output for own final use	366,4	310,9	-15,1
Taxes on production and imports	1.898,4	1.789,1	-5,8
<i>of which VAT</i>	<i>1.097,1</i>	<i>1.003,9</i>	<i>-8,5</i>
Property income receivable	89,5	108,7	21,5
Current taxes on income, wealth, etc	1.422,6	1.307,8	-8,1
Social contributions receivable	1.213,7	1.105,8	-8,9
Other current transfers receivable	118,5	95,2	-19,7
Capital transfers receivable	3,5	1,5	-57,1
Total revenue	5.112,6	4.719,0	-7,7
Total revenue as a % of GDP	28,9	28,7	
Surplus (+) / Deficit (-)	-588,8	-317,5	
Surplus (+) / Deficit (-) % of GDP	-3,3	-1,9	

1. Includes fees from EEZ recorded as negative capital expenditure according to Eurostat.
Source: Cystat, CBC.

CHART A.43 Total revenue and expenditure of the general government
(cumulative for the period as from 1st quarter, annual change, %)

10. This obligation relates to sovereignty revenues (seigniorage) enjoyed by central banks because of their capacity to issue the domestic currency.

to Eurostat.

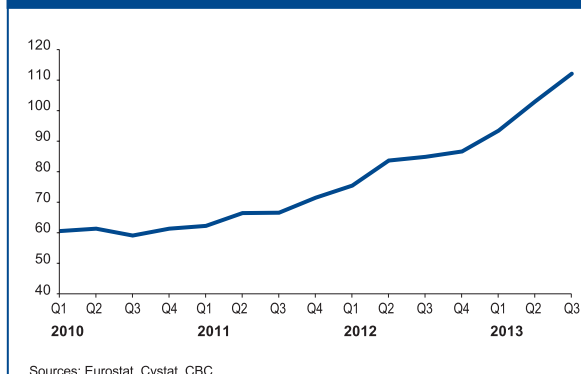
Secondly, the observed decrease in expenditure is due to the year-on-year reduction in expenditure for compensation of employees by 8,6% (**Table A.9**, p.47) due to the cuts in wages, salaries and pensions as well as the reduction in public employment and despite the higher-than-expected spending for pensions and gratuities which reflected the wave of early retirements.

Finally, the decrease in expenditure is due to the year-on-year reduction in spending on social benefits by 5,4% (**Table A.9**, p.47) owing to the significant reduction in expenditure on benefits paid by the Ministry of Finance, including expenditure on child benefits and student grants. The decrease materialised despite increasing spending on benefits paid by the Social Security Fund (SSF), especially given the continued deterioration in labour market conditions. Specifically, based on data published by the Ministry of Finance for the first nine months of 2013, SSF expenditure for social benefits increased by 2,6 %. This increase is due to the significant year-on-year increases in spending for unemployment benefits and redundancy payments (by 13,7% and 23,9%, respectively, according to recent data published by the Ministry of Labour relating to the period under consideration).

According to preliminary data published by the Ministry of Finance, general government consolidated gross debt¹¹ as a percentage of GDP (**Chart A.44**) exhibited further significant increase to 112,1 % at the end of the third quarter of 2013 up from 86,6% at the end of 2012. This development was due to the significant deficit-debt adjustment, which includes €1,5 billion for the recapitalisation of the co-operative credit sector. At the same time, it should be noted that the relevant increase was registered despite the realisation of a primary surplus and the lower interest payments expenditure observed over the first nine months of 2013.

In connection with the financing of the public

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



11. The general government consolidated gross debt is the sum of total central government debt (which includes the debt of certain semi-governmental organisations that fall within the definition of central government) and the debt of local authorities, but it excludes intra-governmental borrowing from the Social Security Fund and the Administered Funds, as well as short-term liabilities of the CBC to the IMF.

debt, the following should be noted. First, the disbursement of financial assistance from the ESM and the IMF totalling €4,7 billion as at the end of September 2013. Second, the renewal on 1 July 2013 of a government bond worth €1,9 billion issued for the recapitalisation of the former Cyprus Popular Bank in June 2012 and which is now owned by Bank of Cyprus. Finally, the completion on the aforementioned date of the MoU condition relating to the exchange of domestic bonds worth €1 billion maturing between 2013 and 2016 with new bonds of equal coupons maturing between 2019-2023.

6. Macroeconomic Prospects as reported in the MoU

As far as the prospects for the Cyprus economy is concerned for the period 2013-2015, the CBC adopted the revisions as reported in the MoU during the second review by Troika. More specifically, the GDP for 2013 was revised to -7,7% from -8,7% originally projected in the previous MoU. Nevertheless, an equal deterioration is expected in 2014 (from -3,9% to -4,8%) due to the continued uncertainty, while for 2015 a marginal recovery is expected.

It should, be noted, however, that the latest data for the first nine months of 2013 recorded a more positive trend than the one originally projected as the contraction was of the order of -5.5%. The smaller than expected decline in private consumption and the very positive developments in tourism during the summer months are factors that contributed to the more positive path of GDP in 2013.

In terms of unemployment it should be noted that it has reached historical highs, particularly youth unemployment. This picture is not expected to reverse soon and according to the MoU, a marginal improvement will be recorded in 2015.

Inflation continues to be subdued and is expected

to reach 0,8 % in 2013, 1% in 2014 and 1,5% in 2015. It should be noted that the latest available data up to October 2013 record a more subdued trend than the one expected for the whole year. It is also noted that data for October recorded a decline in inflation by 0,5%.

SECTION B

Statistical Annex

Explanatory notes for Statistical Annex

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

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

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

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

percentage change in prices of services, respectively.

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

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

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

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

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

as the sales of cement.

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

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

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

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

	USD/EUR	GBP/EUR	JPY/EUR
Average for January	1,3302	0,8328	118,5339
Average for February	1,3339	0,8625	124,2335
Average for March	1,2957	0,8591	122,9262
Average for April	1,3025	0,8508	127,3450
Average for May	1,2978	0,8490	131,0474
Average for June	1,3200	0,8518	128,3940
Average for July	1,3095	0,8622	130,4661
Average for August	1,3319	0,8590	130,2495
Average for September	1,3362	0,8418	132,5357
Average for October	1,3639	0,8477	133,4252
Average for November (until 15 November)	1,3460	0,8400	133,3536
Average for Jan-November (until 15 November)	1,3233	0,8508	128,1546
Closing rate on 31/12/2012	1,3193	0,8119	114,4600
Closing rate on 15/11/2013	1,3496	0,8374	135,2100
Highest exchange rate vs. the euro	1,3802	0,8747	135,3200
	25-Oct	11-Mar	30-Oct
Lowest exchange rate vs. the euro	1,2780	0,8101	113,8400
	27-Mar	3-Jan	3-Jan
% appreciation (+)/depreciation (-) of the currency vs. the euro from closing rate on 31/12/2012 to closing rate on 15/11/2013	2,3%	3,1%	18,1%

Source: Bloomberg.

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

	2010	2011	2012	October 2012/11	September 2013/12	October 2013/12	Jan.-Oct. 2012/11	Jan.-Sep. 2013/12	Jan.-Oct. 2013/12	Weights	
										2005=100 (for 2008-2010)	2005=100 (for 2011-2013)
GENERAL INDEX	2,43	3,29	2,39	1,74	-1,03	-1,60	2,64	0,14	-0,03	100,00	100,00
A DOMESTIC PRODUCTS	3,01	11,04	6,70	5,20	-3,96	-3,05	7,52	-0,67	-0,91	28,98	20,52
A.1 Agricultural	-0,01	-1,57	-1,29	0,31	-4,26	1,42	-0,45	-0,88	-0,64	6,93	5,96
A.2 Industrial	1,36	12,54	3,39	3,19	0,69	0,49	3,46	1,85	1,71	19,29	11,37
A.3 Electricity	22,23	14,86	27,23	16,49	-14,02	-15,85	30,63	-6,07	-7,07	2,76	3,19
B PETROLEUM PRODUCTS	19,39	19,25	7,94	10,27	0,54	-1,09	8,44	4,12	3,59	6,63	5,50
C IMPORTED PRODUCTS	-0,93	2,77	-0,55	-1,60	1,02	-0,53	-0,56	0,19	0,11	24,62	31,74
C1 Motor vehicles	-4,19	-0,63	-0,64	-0,37	0,05	-0,18	-0,74	0,13	0,10	5,41	6,48
C2 Other imported products	-0,13	3,16	-0,54	-1,84	1,22	-0,61	-0,49	0,20	0,12	19,21	25,26
D SERVICES	1,24	1,61	0,96	0,55	-0,79	-1,50	1,01	-0,10	-0,24	39,77	42,24
HICP	0,2	3,5	3,1	2,6	0,3	-0,5	3,4	0,8	0,7		

Source: Cystat.

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

	2010	2011	2012	October 2012/11	September 2013/12	October 2013/12	Jan.-Oct. 2012/11	Jan.-Sep. 2013/12	Jan.-Oct. 2013/12	Weights	
										2005=100 (for 2008-2010)	2005=100 (for 2011-2013)
GENERAL INDEX	2,43	3,29	2,39	1,74	-1,03	-1,60	2,64	0,14	-0,03	100,00	100,00
A DOMESTIC PRODUCTS	0,93	2,43	1,58	1,24	-0,99	-0,75	1,77	-0,17	-0,22	28,98	20,52
A.1 Agricultural	0,00	-0,11	-0,09	0,02	-0,28	0,09	-0,03	-0,06	-0,04	6,93	5,96
A.2 Industrial	0,27	1,44	0,42	0,40	0,09	0,06	0,43	0,23	0,22	19,29	11,37
A.3 Electricity	0,66	0,61	1,24	0,82	-0,79	-0,91	1,36	-0,34	-0,40	2,76	3,19
B PETROLEUM PRODUCTS	1,19	1,14	0,54	0,69	0,04	-0,08	0,58	0,30	0,26	6,63	5,50
C IMPORTED PRODUCTS	-0,20	0,74	-0,15	-0,43	0,26	-0,14	-0,14	0,05	0,03	24,62	31,74
C1 Motor vehicles	-0,18	-0,03	-0,03	-0,02	0,00	-0,01	-0,03	0,01	0,00	5,41	6,48
C2 Other imported products	-0,02	0,88	-0,15	-0,41	0,26	-0,13	-0,13	0,05	0,03	19,21	25,26
D SERVICES	0,51	0,70	0,41	0,23	-0,33	-0,63	0,44	-0,04	-0,10	39,77	42,24

Source: Cystat.

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

	2010	2011	2012	October 2012/11	September 2013/12	October 2013/12	Jan.-Oct. 2012/11	Jan.- Sep. 2013/12	Jan.- Oct. 2013/12
GENERAL INDEX	2,43	3,29	2,39	1,74	-1,03	-1,60	2,64	0,14	-0,03
Food and non-alcoholic beverages	0,24	4,07	0,82	1,23	-1,47	0,66	1,21	0,53	0,55
Alcoholic beverages and tobacco	1,39	11,13	3,19	2,72	9,12	8,31	2,96	9,20	9,11
Clothing and footwear	-0,64	-0,49	-2,75	-6,71	2,59	-2,61	-2,57	-2,37	-2,39
Housing, water, electricity and gas	7,62	10,43	11,33	8,36	-6,50	-7,83	12,21	-2,49	-3,03
Furnishings, household equipment and supplies	0,21	2,46	0,08	-0,53	-1,57	-2,17	0,26	-0,55	-0,71
Health	2,95	2,75	0,56	0,05	-3,15	-3,22	0,65	-2,23	-2,33
Transport	3,64	2,95	3,08	4,59	1,21	0,12	3,13	2,65	2,40
Communications	-0,04	0,45	1,08	1,42	1,00	0,96	1,00	0,98	0,98
Recreation and culture	-0,01	1,79	0,65	0,69	-0,92	-0,97	0,64	0,16	0,06
Education	4,69	3,18	2,41	0,80	-1,52	-4,04	2,74	0,41	-0,04
Restaurants and hotels	2,04	1,48	1,06	0,54	0,27	-0,21	1,17	0,56	0,48
Miscellaneous goods and services	2,12	-1,13	0,35	-0,04	1,05	0,39	0,45	1,05	0,98

Source: Cystat.

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

	2010	2011	2012	October 2012/11	September 2013/12	October 2013/12	Jan.-Oct. 2012/11	Jan.- Sep. 2013/12	Jan.- Sep. 2013/12
GENERAL INDEX	2,43	3,29	2,39	1,74	-1,03	-1,60	2,64	0,14	-0,03
Food and non-alcoholic beverages	0,05	0,71	0,82	0,22	-0,26	0,12	0,21	0,09	0,09
Alcoholic beverages and tobacco	0,03	0,22	3,19	0,06	0,20	0,18	0,06	0,20	0,20
Clothing and footwear	-0,05	-0,03	-2,75	-0,50	0,16	-0,18	-0,17	-0,15	-0,15
Housing, water, electricity and gas	1,23	1,35	11,33	1,20	-0,99	-1,20	1,67	-0,38	-0,46
Furnishings, household equipment and supplies	0,01	0,17	0,08	-0,04	-0,11	-0,14	0,02	-0,04	-0,05
Health	0,16	0,20	0,56	0,00	-0,22	-0,23	0,05	-0,16	-0,16
Transport	0,49	0,40	3,08	0,62	0,17	0,02	0,43	0,37	0,33
Communications	0,00	0,02	1,08	0,05	0,04	0,04	0,04	0,04	0,04
Recreation and culture	0,00	0,11	0,65	0,04	-0,05	-0,06	0,04	0,01	0,00
Education	0,15	0,13	2,41	0,03	-0,06	-0,17	0,11	0,02	0,00
Restaurants and hotels	0,17	0,13	1,06	0,05	0,02	-0,02	0,10	0,05	0,04
Miscellaneous goods and services	0,15	-0,10	0,35	0,00	0,09	0,03	0,04	0,09	0,08

Source: Cystat.

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

	October 2012/11	September 2013/12	October 2013/12	Jan.- Oct. 2012/11	Jan. - Sep. 2013/12	Jan. - Oct. 2013/12
GENERAL INDEX	1,74	-1,03	-1,60	2,64	0,14	-0,03
Rents	0,13	-7,30	-8,85	0,27	-5,66	-5,98
Maintenance of houses	-0,36	-0,27	-0,92	-0,73	-0,17	-0,24
Transport	1,96	3,37	1,25	-0,13	2,33	2,22
Communications	1,69	1,29	1,29	1,35	1,29	1,29
Insurance	-0,16	3,65	2,25	-0,22	3,22	3,12
Public services	1,67	2,97	2,94	1,69	2,79	2,81
Education	0,80	-1,52	-4,04	2,74	0,41	-0,04
Medical care	0,28	-3,70	-4,09	0,76	-2,57	-2,73
Restaurants and coffee shops	0,58	0,27	-0,17	1,14	0,56	0,49
Personal and household services	0,32	-1,31	-1,37	1,41	0,00	-0,14
Total services	0,55	-0,79	-1,50	1,01	-0,10	-0,24

Source: Cystat.

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

	October 2012/11	September 2013/12	October 2013/12	Jan.- Oct. 2012/11	Jan. - Sep. 2013/12	Jan. - Oct. 2013/12
GENERAL INDEX	1,74	-1,03	-1,60	2,64	0,14	-0,03
Rents	0,00	-0,22	-0,27	0,01	-0,17	-0,18
Maintenance of houses	-0,01	-0,01	-0,02	-0,02	0,00	-0,01
Transport	0,05	0,09	0,03	0,00	0,06	0,06
Communications	0,06	0,05	0,05	0,05	0,05	0,05
Insurance	0,00	0,08	0,05	0,00	0,07	0,07
Public services	0,02	0,04	0,04	0,02	0,04	0,04
Education	0,03	-0,06	-0,17	0,11	0,02	0,00
Medical care	0,02	-0,20	-0,22	0,04	-0,14	-0,15
Restaurants and coffee shops	0,05	0,02	-0,01	0,10	0,05	0,04
Personal and household services	0,03	-0,12	-0,12	0,13	0,00	-0,01
Total services	0,23	-0,33	-0,63	0,44	-0,04	-0,10

Source: Cystat.

Table B.8 Balance of payments
(€ million)

	2011 (prov.)			2012 (prov.)		
	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT	11.271,1	11.872,9	-601,8	10.790,9	12.008,0	-1.217,1
GOODS, SERVICES AND INCOME	10.673,1	11.079,1	-406,0	10.274,6	11.276,5	-1.001,9
GOODS AND SERVICES	7.672,6	8.435,9	-763,3	7.606,5	8.152,4	-545,9
GOODS	1.411,0	5.759,7	-4.348,6	1.439,8	5.295,7	-3.855,9
SERVICES	6.261,5	2.676,2	3.585,3	6.166,7	2.856,6	3.310,0
Transport	1.508,8	1.109,5	399,3	1.431,1	1.111,6	319,4
Travel	1.846,4	931,8	914,6	2.022,6	1.004,0	1.018,6
Communications services	43,6	90,7	-47,1	64,4	135,1	-70,7
Construction services	38,6	14,2	24,4	51,6	9,6	42,0
Insurance services	31,0	36,0	-5,0	28,4	32,6	-4,2
Financial services	658,5	111,1	547,4	502,9	126,0	376,9
Computer and information services	48,4	24,1	24,3	42,5	23,4	19,1
Royalties and licence fees	1,7	24,8	-23,2	1,1	21,0	-19,9
Other business services	1.921,3	218,2	1.703,1	1.884,2	279,5	1.604,7
Personal, cultural and recreational services	33,0	52,1	-19,0	24,4	45,9	-21,5
Government services, n.i.e.	130,1	63,7	66,5	113,5	67,8	45,7
Services not allocated	0,0	0,0	0,0	0,0	0,0	0,0
INCOME	3.000,5	2.643,2	357,3	2.668,1	3.124,1	-456,0
Compensation of employees	30,7	225,9	-195,2	31,2	257,4	-226,2
Investment income	2.969,8	2.417,3	552,5	2.636,9	2.866,8	-229,9
Direct investment income	897,1	772,9	124,3	168,0	860,0	-692,0
Portfolio investment income	826,3	381,2	445,2	630,2	195,5	434,7
Other investment income	1.246,3	1.263,3	-16,9	1.838,7	1.811,2	27,5
CURRENT TRANSFERS	598,0	793,8	-195,8	516,2	731,5	-215,2
General government	149,8	244,1	-94,3	132,9	193,3	-60,4
Other sectors	448,2	549,7	-101,5	383,3	538,2	-154,8
CAPITAL AND FINANCIAL ACCOUNT			827,0			870,6
Capital account	78,9	32,7	46,2	38,7	15,3	23,4
Financial account			780,8			847,2
Direct investment			131,7			1.197,5
Abroad			-1.583,4			218,9
In Cyprus			1.715,0			978,6
Portfolio investment			5.752,7			5.340,5
Assets			5.661,0			6.560,9
Liabilities			91,7			1.220,4
Financial derivatives			-261,1			-870,3
Other investment			-4.885,2			-4.877,3
Assets			-2.801,7			-4.363,1
Liabilities			-2.083,5			-514,1
Official reserve assets			42,7			56,8
Net errors and omissions			-225,2			346,5

Source: CBC.

Table B.9 Trade account

(€ million unless otherwise indicated)

	2011	2012	% change	2012 Jan.- Aug.	2013 Jan.- Aug.	% change
Imports	6.310,5	5.740,5	-9,0	3.891,2	3.128,1	-19,6
Consumer goods	1.935,7	1.864,5	-3,7	1.247,9	1.109,1	-11,1
Intermediate inputs	1.646,0	1.358,7	-17,5	921,7	752,9	-18,3
Capital goods	473,8	351,1	-25,9	245,4	176,0	-28,3
Transport equipment	610,6	413,0	-32,4	301,5	175,9	-41,7
Fuels and lubricants	1.579,5	1.728,6	9,4	1.162,2	911,5	-21,6
Exports	1.404,0	1.420,5	1,2	957,9	1.055,2	10,2
Trade deficit	4.906,5	4.320,0	-12,0	2.933,3	2.072,9	-29,3

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	0,0	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	0,0	0,0	0,0
CONSTRUCTION	40,6	10,4	2,6	0,0	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
ACCOMMODATION 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	0,0
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)

Economic activity	Net capital flows				
	2008	2009	2010	2011	2012
MINING AND QUARRYING	0,0	0,0	0,0	0,0	0,0
MANUFACTURING	0,0	-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	0,0	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
ACCOMMODATION 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	0,0	C	C	0,0	0,0
TOTAL	-1.855,1	-275,6	-512,6	-1.583,0	219,0

Geographical / economic zone	Net capital flows				
	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	

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 2012 (provisional)
(€ million)

	ASSETS	LIABILITIES	BALANCE
FINANCIAL ACCOUNT			-14.594
DIRECT INVESTMENT			-10.370
Abroad			5.582
Equity capital and reinvested earnings			3.510
MFIs (excluding central banks)			C
Other sectors			S
Other Capital			2.073
MFIs (excluding central banks)			C
Other sectors			S
In the reporting country			15.952
Equity capital and reinvested earnings			13.927
MFIs (excluding central banks)			1.944
Other sectors			11.983
Other Capital			2.025
MFIs (excluding central banks)			C
Other sectors			S
PORTFOLIO INVESTMENT	19.447	3.472	15.975
Equity securities	2.554	1.004	
Monetary authorities	0		
General government	0		
MFIs (excluding central banks)	C	C	
Other sectors	S	S	
Debt securities	16.893	2.468	
Bonds and notes	16.632	2.412	
Monetary authorities	1.829	0	
General government	0	2.095	
MFIs (excluding central banks)	12.043	172	
Other sectors	2.761	145	
Money market instruments	261	56	
Monetary authorities	0	0	
General government	0	0	
MFIs (excluding central banks)	C	36	
Other sectors	S	20	
FINANCIAL DERIVATIVES	1.379	1.309	69
Monetary authorities	0	0	0
General government	0	0	0
MFIs (excluding central banks)	130	296	-165
Other sectors	1.249	1.014	235
OTHER INVESTMENT	53.482	74.653	-21.171
Monetary authorities	977	7.494	
Loans/currency and deposits	943	7.494	
Other assets/liabilities	34	0	
General government	650	3.984	
Trade credits	C	C	
Loans/currency and deposits	405	3.977	
Other assets/liabilities	S	S	
MFIs (excluding central banks)	48.598	56.889	
Loans/currency and deposits	48.464	56.857	
Other assets/liabilities	135	32	
Other sectors	3.257	6.287	
Trade credits	154	533	
Loans/currency and deposits	3.103	5.754	
Other assets/liabilities	0	0	
RESERVE ASSETS	902		

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

Year	Month	Tourist arrivals			Receipts from tourism		
		Number of tourists	% change		€ million	% change	
			Previous year	Cumulative period		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	0,0	10,2
2013	January ^{2,3}	42.286	-11,2	-11,2	28,5	-5,0	-5,0
	February	42.327	-23,6	-17,9	32,7	1,2	-1,8
	March	92.620	-1,8	-10,2	66,0	5,6	1,9
	April	162.439	-14,3	-12,2	110,4	-3,7	-0,8
	May	276.244	-0,2	-7,2	202,1	-5,7	-3,1
	June	308.219	-6,6	-7,0	259,8	2,1	-1,2
	July	361.442	-2,7	-5,8	338,6	12,3	2,8
	August	352.215	-3,1	-5,3	349,5	12,0	5,0
	September	357.635	6,7	-3,3	353,4	21,9	8,0
	October	273.587	4,4	-2,5	n/a	n/a	n/a

1. Data for March 2012 are based on Cystat estimations.

2. Data for arrivals for January 2013 are based on Cystat estimations.

3. Data for receipts for January 2013 are based on CBC estimations.

Source: CBC.

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

Year / Quarter		Gross domestic product	General government consumption	Private consumption	Gross capital formation	Exports of goods and services	Imports of goods and services
1997	Q1	2.334,8	388,3	1.571,5	610,4	851,3	1.086,8
	Q2	2.512,9	382,4	1.537,3	659,7	1.218,7	1.285,2
	Q3	2.559,3	383,3	1.524,9	380,1	1.531,0	1.260,1
	Q4	2.492,1	692,5	1.642,6	173,1	1.175,4	1.191,4
1998	Q1	2.414,6	434,9	1.687,7	561,6	901,4	1.170,9
	Q2	2.651,9	422,6	1.591,5	579,9	1.264,7	1.206,8
	Q3	2.710,2	461,9	1.604,7	374,3	1.530,9	1.261,7
	Q4	2.615,4	592,3	1.744,6	387,1	1.167,8	1.276,3
1999	Q1	2.531,2	459,7	1.744,2	528,3	905,2	1.106,2
	Q2	2.791,7	474,8	1.632,7	633,9	1.356,9	1.306,6
	Q3	2.819,1	478,9	1.621,5	275,5	1.727,3	1.284,1
	Q4	2.751,0	662,9	1.799,4	360,4	1.309,9	1.381,6
2000	Q1	2.684,8	419,9	1.858,0	605,8	1.043,7	1.242,5
	Q2	2.949,9	427,5	1.776,1	699,5	1.516,3	1.469,5
	Q3	2.958,3	480,6	1.734,7	308,5	1.877,7	1.443,1
	Q4	2.846,4	643,5	1.930,2	414,3	1.419,4	1.561,0
2001	Q1	2.786,4	459,7	2.035,7	553,5	1.105,5	1.368,1
	Q2	3.044,4	493,6	1.842,1	635,4	1.680,6	1.607,3
	Q3	3.118,7	526,3	1.679,3	522,4	1.992,0	1.601,4
	Q4	2.950,4	705,4	2.006,9	241,3	1.438,1	1.441,3
2002	Q1	2.850,5	513,3	2.001,5	686,8	1.016,4	1.367,5
	Q2	3.156,2	534,3	1.862,8	740,7	1.588,7	1.570,2
	Q3	3.121,2	566,0	1.798,1	427,8	1.871,6	1.542,3
	Q4	3.025,2	714,7	2.030,0	372,5	1.436,6	1.528,7
2003	Q1	2.906,7	539,1	2.022,5	787,0	930,2	1.372,0
	Q2	3.166,7	549,9	1.930,4	748,1	1.406,5	1.468,2
	Q3	3.177,2	561,4	1.826,2	394,1	1.964,2	1.568,7
	Q4	3.129,3	817,5	2.098,5	211,5	1.586,4	1.584,6
2004	Q1	3.021,3	503,7	2.133,5	652,4	1.221,1	1.489,4
	Q2	3.288,8	556,4	2.014,8	767,4	1.614,1	1.663,9
	Q3	3.311,8	568,1	2.012,7	468,5	1.919,0	1.656,5
	Q4	3.282,0	703,6	2.230,9	691,1	1.456,6	1.800,1
2005	Q1	3.162,2	505,7	2.228,7	788,0	1.250,9	1.611,1
	Q2	3.391,2	556,2	2.121,8	613,0	1.707,7	1.607,5
	Q3	3.441,8	518,3	2.039,9	564,5	2.048,8	1.729,7
	Q4	3.406,8	830,1	2.290,9	684,4	1.508,5	1.907,2
2006	Q1	3.294,5	563,6	2.312,2	806,4	1.370,0	1.757,8
	Q2	3.550,2	618,5	2.216,0	730,0	1.800,7	1.815,0
	Q3	3.568,1	593,3	2.150,4	473,9	2.199,8	1.849,2
	Q4	3.542,8	804,8	2.408,7	849,6	1.377,8	1.898,1
2007	Q1	3.444,2	577,5	2.484,9	899,1	1.353,9	1.871,2
	Q2	3.712,3	569,8	2.398,1	1.021,2	1.746,2	2.023,0
	Q3	3.762,9	614,9	2.375,8	557,4	2.379,9	2.165,1
	Q4	3.747,0	850,4	2.757,6	695,1	1.683,7	2.239,8
2008	Q1	3.614,4	568,1	2.726,2	1.077,3	1.417,2	2.174,4
	Q2	3.871,4	588,3	2.639,9	1.092,5	1.751,2	2.200,5
	Q3	3.889,2	745,9	2.637,8	792,7	2.235,7	2.523,0
	Q4	3.817,1	868,4	2.794,4	540,6	1.722,9	2.109,2
2009	Q1	3.634,9	619,9	2.560,1	839,5	1.440,5	1.825,1
	Q2	3.795,0	612,3	2.436,0	919,8	1.584,8	1.757,9
	Q3	3.779,3	640,7	2.408,2	878,2	1.795,7	1.943,6
	Q4	3.701,1	1.087,2	2.579,3	296,8	1.545,0	1.807,2
2010	Q1	3.622,8	652,2	2.527,4	852,0	1.394,9	1.803,7
	Q2	3.834,1	644,0	2.458,8	950,9	1.621,6	1.841,2
	Q3	3.858,5	654,3	2.451,0	938,0	1.792,3	1.977,1
	Q4	3.790,2	1.039,6	2.698,1	315,9	1.799,8	2.063,2
2011	Q1	3.682,9	634,8	2.632,1	949,1	1.380,9	1.913,9
	Q2	3.894,2	655,8	2.475,2	907,3	1.775,7	1.919,8
	Q3	3.841,5	701,0	2.458,5	760,4	1.918,4	1.996,8
	Q4	3.753,5	991,1	2.705,8	74,1	1.824,0	1.841,4
2012	Q1	3.620,7	643,0	2.627,9	702,0	1.376,6	1.728,8
	Q2	3.793,4	643,5	2.428,1	731,5	1.804,8	1.814,4
	Q3	3.773,5	654,0	2.379,1	704,1	1.950,0	1.913,8
	Q4	3.618,5	950,9	2.577,6	233,4	1.579,6	1.722,9
2013	Q1	3.436,9	601,1	2.488,9	592,2	1.223,5	1.468,9
	Q2	3.570,1	613,3	2.273,7	406,9	1.689,4	1.413,3

Source: Cystat.

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

Year /Quarter		Gross domestic product	General government consumption	Private consumption	Gross capital formation	Exports of goods and services	Imports of goods and services
1997	Q1	1.782,7	273,0	1.245,0	482,7	716,0	934,1
	Q2	1.959,1	270,4	1.247,4	525,2	1.027,2	1.111,1
	Q3	2.009,3	275,7	1.248,9	283,3	1.299,8	1.098,5
	Q4	1.982,4	499,8	1.341,7	175,8	1.005,1	1.040,1
1998	Q1	1.895,6	316,2	1.358,6	454,6	781,2	1.015,0
	Q2	2.128,4	308,0	1.317,2	468,9	1.090,4	1.056,1
	Q3	2.200,1	337,9	1.340,8	299,9	1.321,9	1.100,4
	Q4	2.143,1	434,3	1.453,5	357,6	1.011,4	1.113,6
1999	Q1	2.057,1	342,5	1.443,9	448,9	789,9	968,2
	Q2	2.305,8	357,5	1.381,9	529,4	1.193,7	1.156,7
	Q3	2.339,0	360,8	1.385,2	213,4	1.530,7	1.151,1
	Q4	2.305,6	508,7	1.545,9	331,3	1.175,6	1.255,9
2000	Q1	2.243,5	327,7	1.593,7	513,3	958,5	1.149,7
	Q2	2.504,2	337,4	1.549,8	585,7	1.412,9	1.381,6
	Q3	2.531,4	388,7	1.500,9	253,1	1.757,0	1.368,2
	Q4	2.476,9	524,4	1.706,5	388,6	1.346,1	1.488,7
2001	Q1	2.415,2	381,5	1.797,0	470,6	1.062,4	1.296,3
	Q2	2.715,7	410,6	1.657,7	562,7	1.616,0	1.531,4
	Q3	2.771,6	436,8	1.494,8	463,7	1.900,9	1.524,7
	Q4	2.645,2	584,5	1.836,3	228,3	1.374,9	1.378,8
2002	Q1	2.520,6	431,5	1.803,2	620,4	972,2	1.306,7
	Q2	2.795,9	449,6	1.705,5	648,0	1.503,0	1.510,2
	Q3	2.801,2	483,3	1.649,7	381,1	1.760,3	1.473,1
	Q4	2.774,4	620,2	1.896,9	370,4	1.341,9	1.455,0
2003	Q1	2.680,4	490,1	1.906,9	709,1	871,6	1.297,3
	Q2	2.976,5	507,8	1.839,3	705,3	1.311,2	1.387,1
	Q3	2.992,6	530,2	1.712,2	388,7	1.843,8	1.482,3
	Q4	2.981,1	779,2	2.025,4	177,5	1.503,5	1.504,4
2004	Q1	2.888,5	479,7	2.026,8	620,7	1.169,4	1.408,1
	Q2	3.161,7	531,7	1.935,0	719,7	1.564,8	1.589,4
	Q3	3.224,5	545,7	1.935,5	462,1	1.881,5	1.600,3
	Q4	3.247,5	683,0	2.214,8	673,6	1.438,4	1.762,3
2005	Q1	3.123,5	503,1	2.183,5	771,9	1.242,8	1.577,7
	Q2	3.370,1	555,6	2.115,3	601,5	1.702,5	1.604,8
	Q3	3.449,7	518,0	2.039,8	576,7	2.046,8	1.731,5
	Q4	3.459,0	833,8	2.342,9	699,8	1.523,9	1.941,4
2006	Q1	3.354,6	579,5	2.332,1	828,1	1.395,6	1.780,7
	Q2	3.653,0	634,5	2.282,4	751,7	1.845,3	1.860,9
	Q3	3.703,5	612,0	2.219,0	497,1	2.264,8	1.889,4
	Q4	3.721,4	830,6	2.509,4	891,3	1.438,1	1.948,0
2007	Q1	3.639,2	607,6	2.563,5	949,2	1.426,5	1.907,6
	Q2	3.987,1	601,7	2.546,0	1.083,8	1.850,7	2.095,0
	Q3	4.097,4	651,8	2.538,4	611,5	2.539,8	2.244,1
	Q4	4.106,0	902,2	2.989,3	773,4	1.815,9	2.374,8
2008	Q1	4.024,8	627,3	2.945,4	1.203,5	1.568,9	2.320,2
	Q2	4.368,6	649,5	2.939,7	1.242,9	1.937,0	2.400,4
	Q3	4.418,3	836,4	2.964,1	895,7	2.474,8	2.752,7
	Q4	4.345,2	973,7	3.126,9	660,2	1.882,2	2.297,8
2009	Q1	4.071,5	717,7	2.794,9	952,5	1.557,4	1.951,0
	Q2	4.305,4	713,3	2.741,7	1.025,0	1.722,0	1.896,5
	Q3	4.251,0	733,4	2.697,0	949,5	1.937,6	2.066,6
	Q4	4.225,3	1.228,6	2.920,3	335,0	1.666,0	1.924,6
2010	Q1	4.120,4	754,5	2.822,3	948,4	1.530,3	1.935,0
	Q2	4.412,0	748,5	2.808,1	1.098,6	1.790,0	2.033,1
	Q3	4.458,0	768,5	2.818,0	1.077,9	1.952,0	2.158,4
	Q4	4.415,5	1.210,9	3.112,9	321,1	2.031,0	2.260,4
2011	Q1	4.255,5	758,8	3.023,6	1.020,5	1.569,3	2.116,6
	Q2	4.591,5	786,1	2.937,0	1.039,0	1.988,5	2.159,1
	Q3	4.556,4	848,9	2.921,3	870,2	2.134,6	2.218,6
	Q4	4.474,2	1.191,5	3.226,6	32,8	2.091,4	2.068,0
2012	Q1	4.247,7	768,8	3.097,5	727,9	1.603,8	1.950,3
	Q2	4.558,6	767,9	2.958,8	847,0	2.073,9	2.089,0
	Q3	4.564,7	778,1	2.910,5	834,9	2.222,0	2.180,8
	Q4	4.349,1	1.123,5	3.120,4	254,7	1.810,5	1.960,0
2013	Q1	4.053,4	711,5	2.981,8	626,5	1.438,4	1.704,8
	Q2	4.226,6	723,5	2.774,7	441,0	1.944,6	1.657,2

Source: Cystat.

Table B.16 Turnover volume index of retail trade

			% change			
Year / Month		Volume	6-month moving average	Previous year	6-month moving average	
2010	January	104,2	118,5	-6,3	-4,4	
	February	98,4	115,5	-4,4	-4,5	
	March	115,7	115,3	11,9	-1,8	
	April	107,8	113,9	-6,9	-2,4	
	May	113,4	114,7	-0,7	-1,8	
	June	118,6	109,7	0,8	-1,1	
	July	134,8	114,8	1,6	0,3	
	August	118,3	118,1	1,5	1,2	
	September	116,7	118,3	0,0	-0,6	
	October	114,0	119,3	-2,1	0,2	
	November	112,6	119,2	4,0	0,9	
	December	154,2	125,1	3,7	1,5	
2011	January	106,3	120,4	2,0	1,6	
	February	100,6	117,4	2,2	1,7	
	March	107,9	115,9	-6,7	0,6	
	April	114,4	116,0	6,1	1,9	
	May	113,5	116,2	0,1	1,3	
	June	119,7	110,4	0,9	0,7	
	July	130,5	114,4	-3,2	-0,3	
	August	119,4	117,6	0,9	-0,5	
	September	118,0	119,3	1,1	0,8	
	October	113,5	119,1	-0,4	-0,2	
	November	109,7	118,5	-2,6	-0,6	
	December	144,0	122,5	-6,6	-2,1	
2012	January	105,0	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**	99,6	113,1	-5,1	-4,4	
	February**	90,1	108,6	-11,1	-5,8	
	March**	89,2	104,9	-14,4	-7,2	
	April**	95,1	102,7	-10,5	-8,1	
	May**	106,2	102,7	-2,7	-8,0	
	June**	105,1	97,6	-10,6	-9,1	
	July*	117,5	100,5	-3,2	-8,6	
	August*	115,5	104,8	-1,5	-7,0	
Percentage change by category		Weights	August 2012/2011	August 2013/2012	Jan.-Aug. 2012/2011	Jan.-Aug. 2013/2012
General index (GI) (1+2+3)		100,00	-1,84	-1,45	-3,30	-7,23
(1) Retail sale of automotive fuel in specialised stores		11,77	-6,74	-6,82	-4,75	-12,48
General index excluding automotive fuel (GI-(1)) (2+3)		88,23	-1,32	-0,84	-3,14	-6,55
(2) Retail sale of food products (2.1+2.2) of which		30,63	5,60	10,89	5,20	8,13
(2.1) Retail sale in non-specialised stores with food, beverages or tobacco predominating		24,75	5,22	10,31	5,48	7,40
(2.2) Retail sale of food, beverages and tobacco in specialised stores		5,88	8,60	14,43	3,40	12,91
(3) Retail sale of non food products (except automotive fuel) (3.1+3.2+3.3+3.4) of which		57,60	-5,60	-8,91	-8,13	-16,64
(3.1) Other retail sale in non-specialised stores		10,69	-9,48	-25,29	-9,72	-30,03
(3.2) Retail trade of textiles, clothing and footwear		10,03	5,44	-13,14	-3,97	-14,11
(3.3) Retail sale of electrical goods and furniture		15,90	-12,65	1,62	-12,52	-17,10
(3.4) Retail sales of computer equipment, books and other		16,05	-4,18	-4,70	-6,38	-10,58

Source: Cystat.

*Provisional.

** Revised data.

Table B.17 Construction indicators

Year / Month		Sales of cement (volume)			Building permits authorised (volume)		
		Total (m.ton)	% change		Area (sq.met)	% change	
			Previous year	6- month moving average		Previous year	6 - month moving average
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

Source: Cystat.

Table B.18 Volume index of manufacturing production

Year / Month	Index		% change		
	Monthly	Cumulative	Previous year	6 - month moving average	Cumulative period
2010	January	80,50	-8,83	-11,29	-8,83
	February	83,80	-8,71	-10,93	-8,77
	March	100,50	5,46	-8,41	-3,85
	April	87,60	-7,01	-7,20	-4,65
	May	99,40	-2,17	-5,75	-4,12
	June	104,40	-1,04	-3,55	-3,55
	July	108,30	-6,15	-3,28	-3,99
	August	63,30	0,16	-2,03	-3,64
	September	100,30	-2,05	-3,26	-3,45
	October	93,30	-5,85	-3,10	-3,70
	November	98,30	-1,99	-3,07	-3,54
	December	98,40	-0,51	-3,00	-3,28
2011	January	74,80	-7,08	-2,94	-7,08
	February	82,90	-1,07	-3,01	-4,02
	March	91,80	-8,66	-4,19	-5,78
	April	82,50	-5,82	-4,15	-5,79
	May	97,60	-1,81	-4,12	-4,91
	June	96,60	-7,47	-5,39	-5,39
	July	93,90	-13,30	-6,63	-6,68
	August	60,40	-4,58	-7,22	-6,50
	September	90,90	-9,37	-7,35	-6,85
	October	85,40	-8,47	-7,77	-7,01
	November	86,40	-12,11	-9,56	-7,50
	December	84,60	-14,02	-10,73	-8,08
2012	January	67,70	-9,49	-10,03	-9,49
	February	76,20	-8,08	-10,36	-8,75
	March	77,50	-15,58	-11,44	-11,26
	April	75,30	-8,73	-11,54	-10,63
	May	88,00	-9,84	-11,12	-10,45
	June	84,40	-12,63	-10,85	-10,85
	July	86,70	-7,67	-10,49	-10,37
	August	57,60	-4,64	-10,20	-9,86
	September	76,60	-15,73	-10,21	-10,55
	October	79,10	-7,38	-9,98	-10,24
	November	78,00	-9,72	-9,97	-10,19
	December	70,20	-17,02	-10,65	-10,75
2013	January	64,90	-4,14	-10,31	-4,14
	February	64,50	-15,35	-11,79	-10,08
	March	62,40	-19,48	-12,29	-13,37
	April	72,00	-4,38	-11,91	-11,09
	May	70,70	-19,66	-13,77	-13,05
	June	70,20	-16,82	-13,73	-13,73
	July	75,90	-12,46	-14,83	-13,53
	August	51,70	-10,24	-14,19	-13,22
Percentage change by category		August 2012/2011	August 2013/2012	Jan.-Aug. 2012/2011	Jan.- Aug. 2013/2012
General index		-4,6	-10,2	-9,9	-13,2
Manufacture of food products, beverages and tobacco products		-1,5	-9,2	-4,7	-9,5
Manufacture of textiles, wearing apparel and leather products		-22,8	-23,7	-19,9	-28,7
Manufacture of wood and products of wood and cork, except furniture		-16,4	-33,7	-12,8	-27,9
Manufacture of paper products and printing		17,7	-14,7	-6,4	-15,8
Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations		14,4	-1,1	7,5	9,1
Manufacture of rubber and plastic products		-25,0	-14,4	-18,1	-12,5
Manufacture of other non-metallic mineral products		-6,7	10,8	-24,0	-16,7
Manufacture of basic metals and fabricated metal products		-12,5	-34,0	-16,3	-28,4
Manufacture of electronic and optical products and electrical equipment		-67,2	-30,9	-39,9	-46,2
Manufacture of machinery		-11,0	22,5	-15,8	-6,9
Manufacture of motor vehicles and other transport equipment		-50,5	11,1	-13,6	-2,5
Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment		-27,8	-21,4	-9,9	-25,6

Source: Cystat.

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

	2011		2012		2013			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Labour force	429.257	433.907	434.236	439.954	442.483	445.744	446.099	442.006
Employed	395.938	395.122	386.069	390.213	389.046	389.094	375.392	373.700
By type of employment:								
Full time	357.935	354.355	343.664	349.443	351.162	343.471	328.509	327.474
Part time	38.003	40.767	42.405	40.769	37.884	45.623	46.883	46.227
By sector of employment:								
Primary sector	18.486	13.073	11.420	10.905	10.953	11.997	10.503	10.273
Secondary sector	83.589	82.067	80.012	78.366	77.610	77.522	70.993	66.164
Tertiary sector	297.503	299.982	294.637	300.942	300.483	299.575	293.896	297.263
Employees	325.479	326.224	319.173	326.697	326.980	323.530	310.421	308.898
Unemployed	33.319	38.785	48.166	49.742	53.437	56.650	70.707	68.306
By unemployment duration:								
Less than 12 months	25.462	28.894	36.363	35.593	36.258	37.182	46.164	43.360
12 months and above	7.856	9.531	11.803	14.149	17.180	19.466	24.542	24.946
Activity rate (% of the population)								
Total	63,2	63,2	63,2	63,3	63,5	63,6	63,5	62,8
Male	70,4	70,0	70,2	70,5	71,0	70,8	70,4	69,7
Female	56,7	57,1	56,9	56,9	56,8	57,2	57,3	56,6
Employment (% of the population)								
Total	58,3	57,6	56,2	56,2	55,8	55,5	53,4	53,1
Male	65,0	63,2	61,7	62,0	62,3	61,5	59,0	58,4
Female	52,2	52,5	51,3	51,0	50,1	50,2	48,5	48,3
Unemployment (% of the labour force)								
Total	7,8	8,9	11,1	11,3	12,1	12,7	15,9	15,5
Male	7,6	9,8	12,2	12,1	12,3	13,2	16,2	16,2
Female	7,9	8,0	9,8	10,4	11,8	12,2	15,4	14,6

Source: Cystat.

Technical Notes

Section A

(A) Domestic Monetary Aggregates

All monetary aggregates' data exclude the CBC.

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

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

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

Monetary data are not adjusted for exchange rate fluctuations.

(B) Balance of Payments

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

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

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

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

