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EUROSYSTEM

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BULLETIN  
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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 Community
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

Owing to the negative economic developments that took place in Cyprus principally over the last two years, the Cypriot authorities, together with the “Troika” (EC, ECB, IMF), prepared a programme of economic adjustment outlined in the Memorandum of Understanding (MoU) of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF). This programme aims to address the financial, fiscal and structural challenges of the economy. In relation to the financial sector, the MoU provides for the consolidation of the banking system by selling the assets of the Popular Bank to the Bank of Cyprus and for the recapitalisation of the Bank of Cyprus through its own resources. In relation to the fiscal measures, most of them concern the period 2012-2014 and include significant reforms already approved by the House of Representatives in December 2012.

More specifically, during 2012 and the first few months of 2013, the Cyprus economy faced a series of escalating negative developments. The prolonged crisis in the banking sector and the severe fiscal deterioration inevitably created a deep and prolonged recession, with unemployment soaring to unprecedented levels and companies facing severe financial difficulties. But with the Cyprus economy following a strict programme of adjustment in exchange for financial support from the European Stability Mechanism (ESM) and IMF, the catastrophic scenarios of a total collapse of the banking system and a disorderly bankruptcy of the country, as well as the implications of these for Cyprus’ position in the euro area, have been avoided.

Specifically, the liquidation of the affected banks has been prevented, a development that would affect not only depositors but borrowers as well, who would be forced to immediately pay off all their loans,

crippling the foundations of the economy. A disorderly bankruptcy of the state has also been avoided, a development that would inevitably lead to the country’s exit from the euro area and would call into question the position of Cyprus in the EU.

A strict application of the conditions of the MoU will provide, despite the short-term negative effects, a strong basis for a gradual reversal of the negative developments that have taken place in the Cyprus economy in recent years. The adjustment programme aims at restoring the soundness of the banking sector, continuing the ongoing process of fiscal consolidation and implementing structural reforms to support competitiveness and sustainable and balanced growth.

The successful implementation and enforcement of the provisions of the MoU to achieve these three goals will help lay the foundations that will enable the country to exit the prolonged recession and restart the real economy over the medium term. In the longer term, they will help build the foundations for a return to sustainable growth and full employment.

### International developments

Despite some indications of a strengthening pace of economic growth, the recovery of the global economy remains subdued, fragile and diverse across regions, and is expected to continue to be sluggish. The rate of economic growth in developed economies is restrained by the ongoing public and private sector balance sheet adjustment, the restraints in the provision of credit and the uncertainty concerning the economic outlook.

Global inflation has been kept in check. In the majority of developed economies it displays a downward trend, while in emerging economies inflation has sketched a mixed picture, depending on country-

specific GDP developments and other exogenous factors.

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

Economic activity in the euro area registered a decline for the fifth consecutive quarter as the correction of macroeconomic imbalances in euro area countries is continuing amid the ongoing economic and financial crisis. The upturn in financial markets since the middle of 2012 and in business sentiment during the fourth quarter of the year have not had the anticipated positive impact on the real economy, mainly on account of the adjustment in the public and private sector balance sheet. Based on more recent short-term indicators, the weak business sentiment continues to prevail in the first half of 2013.

In an effort to further improve stability and economic sentiment in the euro area, the ECB decided at its recent meeting in May 2013 to further reduce its key interest rate to 0,50%. In keeping with this picture, the ECB continued to inject ample liquidity into euro area banks in order to smooth the tensions in the money supply, while in April 2013 the ECB decided to conduct two further long-term refinancing operations (LTROs). These actions were crucial for continued support of the euro area banking system as well as to maintain the smooth and effective transmission of monetary policy. The above-mentioned developments are expected to contribute to the mitigation of the financial tensions in Europe, coupled with the implementation of structural reforms at national level, building on the progress made in fiscal consolidation so far. As clearly stated by the President of the ECB, monetary policy alone cannot solve all the economic problems that euro area

countries are currently facing.

In the US and UK, economic activity increased in the first quarter of 2013 compared with the previous quarter. However, the recovery is expected to be slow in both countries: in the US, according to recent economic indicators for the US economy; and in the UK, mainly on account of credit restrictions and the ongoing adjustment in public and private sector balance sheets. In Japan, recent indicators support the assessment of a recovery in the first quarter of 2013, with positive prospects in line with improving business and consumer sentiment.

## Domestic developments

The Cyprus economy recorded negative growth in 2012, with GDP falling by 2,4%, compared with a marginally positive growth of 0,5% in 2011. Based on preliminary data for the first quarter of 2013, GDP recorded a significant reduction of -4,3%. This negative development is confirmed by all the confidence indicators, i.e. services, industry, retail, consumption and construction, all of which recorded significant reductions both in 2012 as well as in the first few months of 2013.

Based on the Harmonised Index of Consumer Prices (HICP), inflation during the first four months of 2013 fell to 1,3% compared with 3,3% in the corresponding period of 2012. The significant deceleration in inflation during the period under review is due to the smaller or more negative annual percentage changes in all key components of the HICP with the exception of processed food. Harmonised inflation in Cyprus is expected to register a substantial slowdown in 2013 to 0,8%, compared with 3,1% in 2012, largely reflecting the decline in core inflation in the context of the worsening recession in the Cyprus economy.

In relation to monetary developments, the annual growth rate of loans to the domestic private sector continued to show signs of a sharp slowdown in the first quarter of 2013. This development was recorded amid the prolonged uncertainty in the financial environment, both domestically and internationally. A similar picture has also been observed in the growth rate of domestic private sector deposits, which at the end of March 2013 turned negative. It should be noted that the data for loans and deposits for the reference month of March 2013 do not include any adjustments arising from the enforcement of the Sale 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.

At the end of the first quarter of 2013, borrowing costs recorded a slight decrease, on average, in the majority of loan categories compared with both the end of 2012 and the corresponding period of 2012, although they remained at high levels. The ongoing developments in the financial environment probably refer to a further decline in domestic lending rates. The final agreement on the MoU for Cyprus, the restructuring of the Cypriot banking system, the recent proposal of the Central Bank of Cyprus (CBC) according to which as from May 2013, the CBC will impose additional capital to credit institutions that offer higher deposit rates and the recent further reduction in the key ECB interest rate, are factors that are expected to contribute to the reduction of the domestic lending rates. However, according to the latest data available, at the end of March 2013, domestic borrowing costs in all loan categories remained at higher levels compared with the corresponding costs in the euro area. Nevertheless, within the next few months, the gap of both lending and deposit rates between Cyprus and the euro area is expected to be reduced.

As far as external trade is concerned, the trade balance of goods and services – which is of a more representative magnitude for the purposes of analysing the competitiveness of a small open economy such as Cyprus – recorded a significant improvement, with the deficit decreasing significantly from 4,2% in 2011 to 2,5% of GDP in 2012, mainly on account of reduced imports. The latest figures for 2013 show that imports will be reduced even more, thus contributing further to the improvement in the trade balance of goods and services during the current year.

Labour market developments, and in particular employment, recorded an annual decrease of 3,3% in 2012, compared with an increase of 0,5% in 2011. Employment developments over the year under consideration largely followed the path of GDP, with employment recording a larger contraction compared with production, thus leading to a rise in productivity. Moreover, and according to the Labour Force Survey (LFS), unemployment continued to exhibit an upward trend over 2012, reaching 11,8% compared with 7,9% in 2011. More recent data available, relating to registered unemployment, show the continuing deterioration over the period January - April 2013.

As regards current fiscal developments, preliminary data published by Cystat and relating to the first quarter of 2013 point to an improvement in public finances. The budget balance as a percentage of GDP registered a surplus of 0,3%, compared with a deficit of 0,8% over the corresponding period the previous year. Public revenues exhibited an annual decrease of 7,6%, while public expenditure fell by 17,2%. The significant annual decrease in total revenue is attributable to the observed reduction in tax receipts, given the dramatic contraction in economic activity, which was partially offset by the significant annual increase in non-tax revenues. These revenues are of a temporary nature and

relate to receipts from licensing fees arising from the sale of exploration rights for hydrocarbons in the Cyprus Exclusive Economic Zone (EEZ), as well as the high dividends paid out by the CBC to the Consolidated Fund of the General Government Account. The significant annual reduction in public expenditure is attributable to decreases across all spending categories, partly owing to the extraordinary situation in the banking system that prevailed in the second half of March and which was associated with a delay in the processing of payments. General government consolidated gross debt as a percentage of GDP rose to 85,8% at the end of 2012. Although there was no significant change in the level of central government debt in nominal terms over the first three months of 2013,<sup>4</sup> the relevant indicator increased by 7,7 percentage points of GDP as a result of the significant reduction in the nominal GDP forecast for the year under consideration.

As regards the CBC forecasts of the domestic economy aggregates, it should be noted that these are the same as those agreed with the EU, ECB and IMF for the purposes of the MoU. GDP growth for Cyprus is expected to be significantly negative, with a contraction of 8,7% in 2013 and a further contraction of 3,9% in 2014. This contraction is expected to stem primarily from the decline in domestic demand. The forecasts have been revised downwards substantially compared with those reported in the previous Economic Bulletin. This is due to the uncertainty that has prevailed in recent months in the domestic market, especially after the developments of March 2013 that led to the consolidation of the banking system through the sale of particular operations of the Cyprus Popular Bank to the Bank of Cyprus and the recapitalisation of the Bank of Cyprus through its own resources. These developments have radically changed the macroeconomic landscape of the economy and have therefore contributed to the

revision in the forecasts.

4. According to data published by the Public Debt Management Office.







SECTION A

**Macroeconomic Developments  
and Projections**

## 1. International Environment

### 1.1 External developments

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

The recovery of the global economy remains weak and fragile, with variations across regions. Despite the improvement in financial markets and the business climate around the world, growth is restrained by the ongoing adjustment in the private and public sector balance sheet, especially in developed economies. The Purchasing Managers' Index (PMI) for all-industry output edged higher in March compared with February, driven by further expansion in both the manufacturing and services sectors.

In the emerging economies, economic activity recorded a slowdown. Overall, downside risks persist owing to continued high uncertainty. In the short term, these risks relate to, inter alia, developments in the euro area and in particular the possibility of a renewed debt crisis in member countries, the political developments in Italy and weaknesses in euro area peripheral economies. In the medium term, the main risks relate to the possibility of fatigue in the adjustment effort, insufficient institutional reforms and prolonged stagnation in the euro area. The high fiscal deficits and debt in the US and Japan also contribute to the maintenance of downside risks worldwide.

Inflation receded further in the majority of developed economies in April, despite the continued expansionary monetary policy, while price developments in emerging economies have been mixed in recent months. Overall, the downward trend in inflation can be attributed to the decline in the prices of oil and other commodities since the beginning of 2013.

More specifically, in the euro area, severe tensions in financial markets waned significantly compared with mid-2012, mainly on account of the measures taken at

1. GDP projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (11 May 2013), the European Commission (European Economic Forecasts, Spring 2013) and the IMF (World Economic Outlook, April 2013).

In the UK, GDP grew annually by 0,6% in the first quarter of 2013 compared with 0,2% in the previous quarter and 0,5% in the corresponding quarter of 2012, mainly on account of the contribution of the services sector and industrial production. However, domestic demand continues to be restrained by tight credit conditions, the ongoing correction of the private and public sector balance sheet, as well as developments in real disposable income. The labour market remains relatively resilient, with the unemployment rate

standing at 7,7% in February 2013, down from 7,8% the previous month and 8,2% in February 2012. Analysts project a growth rate of 0,7% for 2013 and 1,6% for 2014.

In the US, annual GDP growth stood at 1,8% in the first quarter of this year compared with 1,7% in the previous quarter and 2,4% in the first quarter of 2012. In parallel, the US unemployment rate was 7,6% in March 2013 compared with 7,7% in February and 8,2% in the same month of 2012. Economic growth in the US was driven mainly by the high growth in consumer spending and, to a lesser extent, by private investment. The further reduction in public spending appears to have had a negative impact on the US outlook, and recent indicators partly suggest fading momentum at the end of the first quarter of 2013. Analysts forecast GDP growth to be around 1,9% in 2013 and 2,8% in 2014.

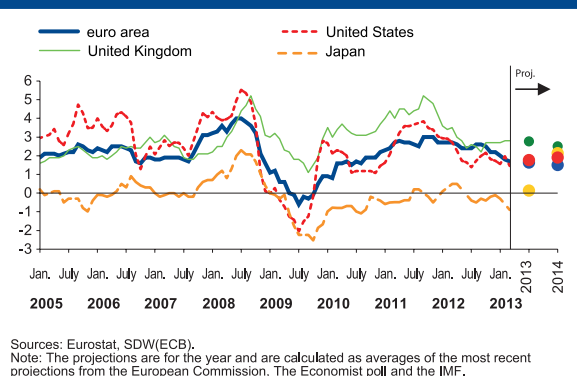
In Japan, recent data support the recovery of economic activity in the first quarter of 2013, with potential for increased industrial production and domestic consumption. Also, recent surveys point to a further improvement in business and consumer confidence in the second quarter of 2013. In the labour market, unemployment stood at 4,3% in February 2013 compared with 4,2% in January and 4,5% in February 2012. International organisations and analysts estimate that the growth rate will be around 1,4% in 2013 and 1,5% in 2014.

## Inflation<sup>2</sup>

Global inflation, especially in the majority of developed economies, continued to decline in the first quarter of 2013, amid slow recovery, weak domestic demand and declines in international prices of oil and other commodities (**Chart A.2**).

More specifically, euro area HICP inflation recorded a significant slowdown to 1,2% in April 2013 from 1,7% in March, compared with 2,6% in April 2012. This deceleration of inflation is due mainly to

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



2. Inflation projections are estimated as the average of the most recent projections from: The Economist Poll of Forecasters (11 May 2013), the European Commission (European Economic Forecasts, Spring 2013) and the IMF (World Economic Outlook, April 2013).

the decrease in energy prices, the weak demand and a calendar effect on account of the timing of Easter. HICP inflation excluding energy and food also slowed significantly, from 1,5% in March to 1,0% in April 2013, largely driven by the aforementioned transitory effect. The consensus of the latest forecasts for euro area inflation from international organisations and analysts from the private sector are 1,6% for 2013 and 1,5% for 2014.

In the UK, inflation remained stable at 2,8% in March and continued to stay somewhat higher than the level registered in autumn 2012; moreover, inflation excluding energy and unprocessed food increased by 0,2 percentage point to 2,6%. Inflation is expected to remain contained in the medium term, mainly on account of the available production capacity, while increases in administered prices and the depreciation of sterling in early 2013 are also likely to keep inflation at its current level. Analysts project that inflation in the UK will be around 2,8% in 2013 and 2,5% in 2014.

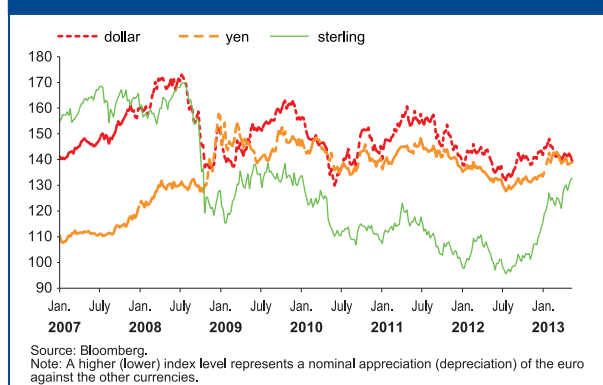
In the US, inflation recorded a decrease of 0,6 percentage point to 1,4% in March 2013, the lowest rate since July 2012, mainly on account of falling energy prices. Core inflation in March registered a marginal decrease to 1,9% from 2,0% in February 2013, as food inflation fell to 1,5% from 1,6%, its level for the previous two months. According to the latest forecasts, inflation is expected to be around 1,8% in 2013 and 1,9% in 2014.

In Japan, inflation stayed negative in the first quarter of 2013, at -0,9% in March, down from -0,6% in February, while core inflation rose slightly to -0,8% from -0,9%. Analysts estimate that inflation in Japan will be 0,1% in 2013 and 2,1% in 2014.

## Exchange rates

Since the beginning of 2013, the euro has appreciated against the major currencies (**Chart A.3**) compared with the end of 2012, with the exception of the dollar.

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



Recent trends show signs of stabilisation, mainly on account of the mitigation of tensions in euro area countries affected by the sovereign debt crisis and market expectations of a further reduction of the key ECB interest rate. From 31 December 2012 to 17 May 2013 (the cut-off date for data in the current Bulletin), the euro rose against the sterling by 4,2%, while it strengthened significantly against the yen by 15,8% and fell against the dollar by 2,7% (**Table B.1** of the Annex, p. 62).

### Oil and gold

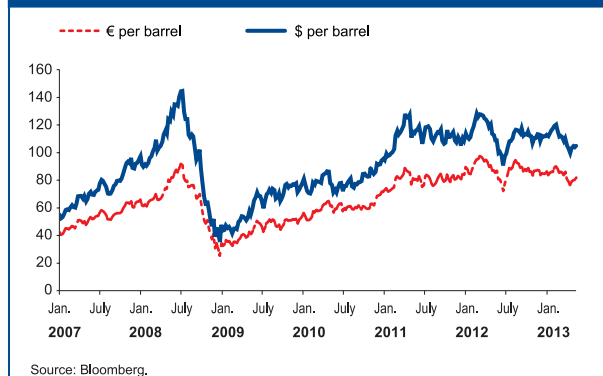
The average price of Brent crude from January to May 2013 fell by \$1,3 per barrel compared with the second half of 2012. More recently, however, there has been a greater decline in the price of oil. More specifically, from \$120,4 per barrel in mid-February 2013, it fell to \$105,0 on 17 May (**Chart A.4**). Global oil demand is expected to recede in the second quarter of 2013, mainly on account of seasonal factors and lower demand from developed economies, while it is projected to pick up in the second half of the year. Looking ahead, markets expect a further reduction in oil prices in the medium term, with futures for December 2013 priced at \$101,99 per barrel on 15 May 2013.

Following the significant increase recorded in the price of gold from August to September 2012 (**Chart A.5**), gold prices followed a downward path from October 2012 until May 2013, primarily on account of market concerns about a possible reduction in demand from China.

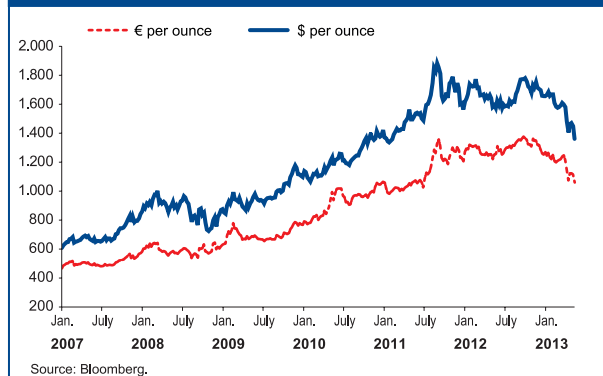
### Selected international stock market indices

The stock market indices in Japan and the US have increased sharply since the beginning of this year on account of the positive market perception of the announcements by the respective central banks

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



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



of further non-conventional measures to support macroeconomic conditions. Furthermore, market expectations of a further improvement in economic sentiment on the basis of earnings data from various enterprises in the first quarter of 2013 have created a positive sentiment. The euro area stock index (DJ Eurostoxx) also increased, albeit slightly, in recent months, mainly driven by the decompression in the Spanish and Italian yields, the slight economic recovery in some euro area countries and the recent reduction of the key ECB interest rate by 25 basis points. Since the beginning of the year and until 17 May 2013, the DJ Eurostoxx index increased by 4,0%, the S&P500 index by 13,7% and the Nikkei index by 41,6% (**Chart A.6**).

### International official interest rates

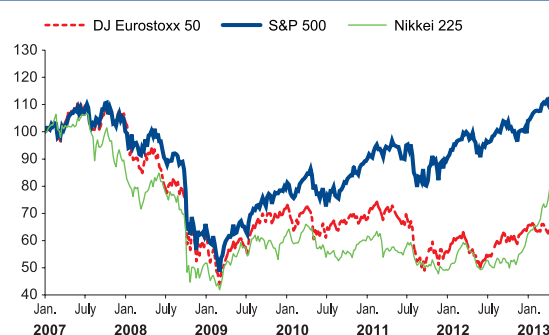
In 2013 the major central banks continued to adopt a loosening monetary policy and to implement unconventional monetary policy measures (**Chart A.7**). In May 2013, the ECB further lowered its key interest rate from 0,75% to 0,50%. At the same time, the Governing Council also decided to reduce the interest rate on the marginal lending facility to 1,00%, while the deposit facility rate remained unchanged at 0,00%. The Bank of England also kept its key interest rate unchanged at 0,5% and announced a continuation of its programme of quantitative easing through asset purchases amounting to £375 billion. On the other side of the Atlantic, the Federal Reserve maintained its key interest rate at 0-0,25% amid new policies to stimulate liquidity.

## 1.2 Monetary developments in the euro area

### Inflation

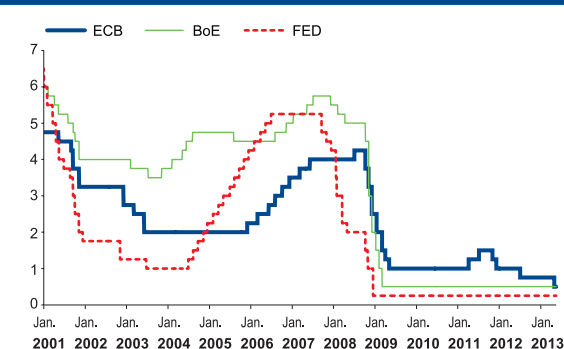
As mentioned above, according to the latest available data, inflation in the euro area declined to 1,2% in April

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



Source: Bloomberg.

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



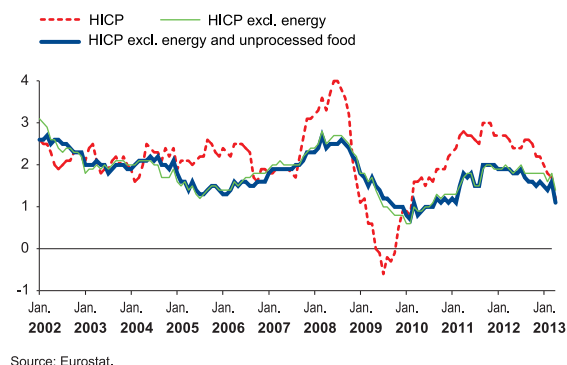
Sources: ECB, FED, BoE.

2013 compared with 1,7% in March, thus continuing its downward trend which began in October 2012. The significant decline in inflation compared with the previous month was mostly due to lower inflation in the energy and services components (**Chart A.8**). In the period from January to April 2013, inflation stood at 1,7%, compared with 2,7% in the corresponding period of 2012, primarily on account of the significant slowdown in energy inflation but also lower inflation in the other HICP components with the exception of unprocessed food. Excluding energy and food, inflation in the euro area in April 2013 was 1,0%, well below the 1,5% recorded in March.

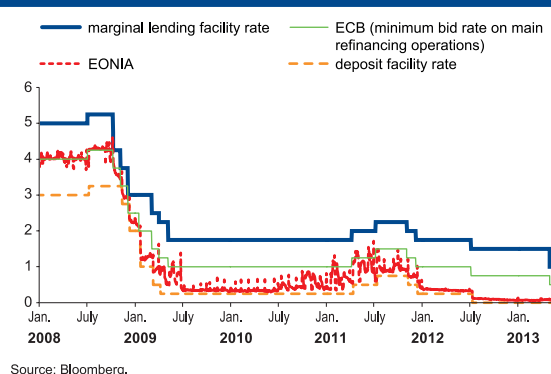
### Reference rates and ECB interventions

As already mentioned, on 2 May 2013 the Governing Council of the ECB decided to reduce its key interest rates by 0,25%. Consequently, the main refinancing operations rate stands at 0,50%. At the same time, the interest rate on the deposit facility remained unchanged at 0%, while the interest rate on the marginal lending facility decreased to 1,00% (**Chart A.9**). According to the ECB, the reduction was seen as appropriate following the downside risks to inflationary pressures, while it was expected to support prospects for a recovery in the euro area later in the year. The ongoing tensions in euro area sovereign debt markets and the subsequent downgrades of government bonds by rating agencies during 2012 led the ECB to undertake a new policy of unconventional measures, entitled the “Outright Monetary Transaction” (OMT) programme, from July 2012. This programme includes, inter alia, the intention of the ECB to buy euro area government bonds in the secondary market under strict conditions for as long as needed. This action was regarded as crucial for the continuation of the effective transmission of monetary policy in the real economy and in turn, for preserving price stability in the euro area. The same

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



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





policy interventions of the ECB continued in the first few months of 2013, with four main refinancing operations in April 2013. Additionally, in the same month, the ECB also conducted two LTROs.

The above measures, combined with fiscal consolidation and accelerated structural reforms in several euro area countries, as well as the progress made towards the strengthening of the economic governance framework of the euro area in the second half of 2012, contributed to a slight improvement in the financial environment during the first few months of 2013. This is also evident from the reduction in EONIA and EURIBOR interbank rates and the gradual reduction in government bond yields in countries under financial stress, such as Italy and Spain. The Governing Council of the ECB expects that the three-year LTROs will further support the stabilisation of the financial markets, as well as long-term lending activity in the euro area.

Given that the non-standard monetary policy measures are temporary in nature, the Governing Council will continue to closely monitor developments in the euro area in order to ensure price stability. 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**

Interest rates in the euro area money market continued to decrease between the end of 2012 and mid-May 2013. This decline reflects the downward revision of expectations for short-term interest rates and the decision of the Governing Council of the ECB on 2 May 2013 to further reduce the euro area key interest rate by 25 basis points. The volatility in money market interest rates was limited and the EONIA stabilised at low levels during the period under review – at around 0,07%, on average, compared with an average of 0,36% in the corresponding period of 2012, which is approximately

10 basis points higher than the interest rate on the deposit facility (**Chart A.10**). Furthermore, the decrease reflects the prevailing excess liquidity in the interbank market following the use of unconventional measures adopted by the ECB in order to increase available liquidity. On 17 May 2013, the EONIA stood at 0,07%, one of the lowest levels in the last five years.

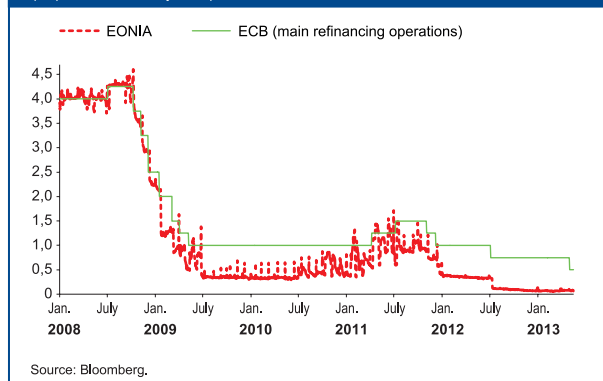
On 30 April 2013, the one-month, three-month and 12-month EURIBOR stood at 0,12%, 0,21% and 0,51% respectively, thereby showing marginal deviations from the end of 2012. The spread between the 12 and 1-month EURIBOR, which is an indicator of the slope of the money market yield curve, decreased significantly from July 2012, to stand at 39 basis points on 30 April 2013 compared with 43 basis points on 31 December 2012 (**Chart A.11**).

The spread between the 3-month EURIBOR and the OIS<sup>3</sup> products reported in **Chart A.12** decreased significantly during the first five months of 2013 compared with the corresponding period in 2012, from 0,38% in mid-May 2012 to 0,14% on 17 May 2013. This reduction reflects improving conditions in the euro area money market following the successive operation of LTROs by the ECB, mainly from the second half of 2012 onwards, with the most recent LTROs implemented in April 2013, and the subsequent creation of adequate liquidity in the monetary and financial institutions (MFIs) in the euro area.

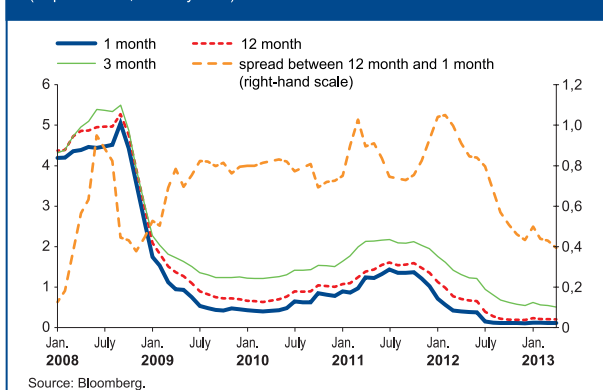
### Euro area yield curve

The yield curve for AAA-rated euro area government bonds with a 30-year maturity (spot prices), which is illustrated in **Chart A.13** (p. 25), reflects market expectations concerning future developments in short and long-term interest rates. It is also a useful indicator for the future prospects of economic growth. During the course of the current year (the cut-off date for data is 17 May 2013), the curve showed signs of stabilisation

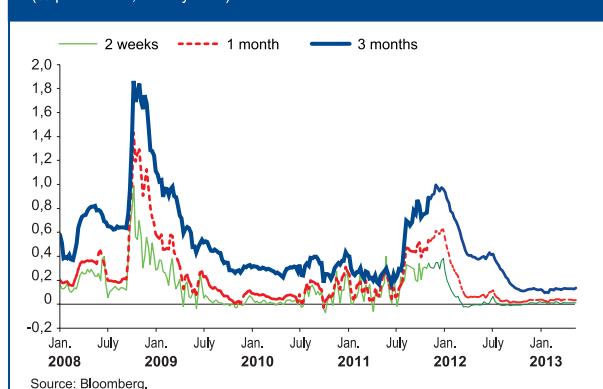
**CHART A.10 EONIA vs ECB minimum bid rate on main refinancing operations**  
(% per annum, daily data)



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



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



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.

with regard to the end of 2012. Consequently, the slope of the curve reflects, in part, investors' expectations of an unwinding of the economic uncertainty in the euro area, following the recent announcement by the ECB of the continuation of unconventional measures and their expected impact on government bond yields for euro area countries facing high borrowing costs on primary markets, and the general commitment to implement measures supporting economic growth in the euro area. More specifically, there were significant reductions in government bond yields in the stressed euro area countries, particularly, at the end of April 2013, in Italy and Spain. Moreover, the Eurogroup's approval of a seven-year extension of the loans to Ireland and Portugal contributed further to the decline in government bond yields in these two countries.

In general, the slight downward slope in the curve indicates a small long-term improvement in financial market conditions.

### M3 and credit expansion

The annual growth of M3 recorded a slowdown in the first quarter of 2013 compared with both the previous quarter and the corresponding quarter of 2012, and has continued to decelerate on average since the beginning of 2013. More specifically, it reached 2,6% in March 2013<sup>4</sup>, down from 3,5% at the end of December 2012 and 2,8% in the first quarter of 2012 (**Chart A.14**). This deceleration was driven mainly by the outflows for marketable instruments and short-term deposits other than overnight deposits.

Regarding credit to the private sector, the annual growth rate of total MFI credit to euro area residents continues to be significantly subdued, and has been negative since April 2012 (**Chart A.14**). As a result, the annual rate of change of total MFI credit to euro area residents contracted by 0,9% at the end of the first quarter of 2013, compared with a fall of 0,8% at the

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

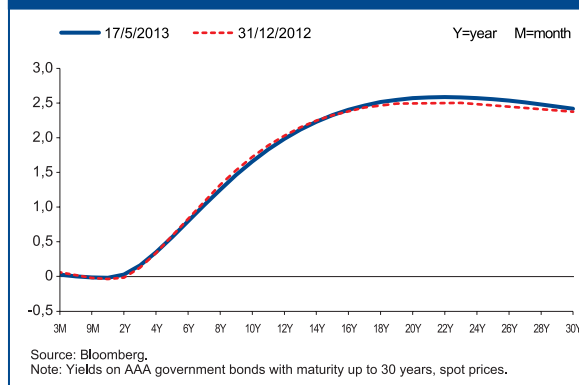
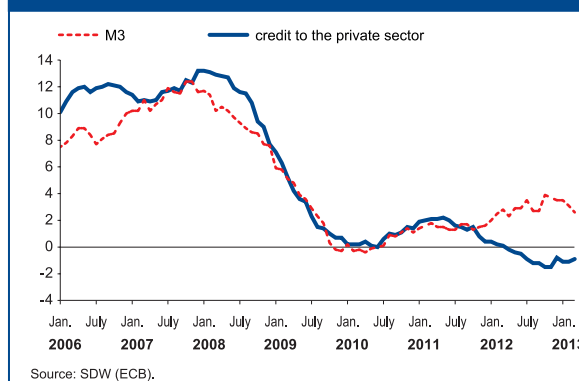


CHART A.14 M3 and credit to the private sector: euro area (annual change %, seasonally adjusted data)



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

end of the previous quarter and a marginal rise of 0,1% at the end of the first quarter of 2012. In particular, the annual growth rate of loans to non-financial corporations (NFCs) recorded a decrease of 2,4% in March 2013, compared with a negative growth rate of 1,9% in December 2012 and a slight increase of 0,7% in March 2012. The above developments mainly reflected the weak economic activity and persistent uncertainty in the euro area, which resulted in a weak demand for loans by NFCs. Loans to households also recorded sluggish growth, with their annual growth rate reaching 0,4% at the end of the first quarter of 2013, unchanged from the previous quarter but significantly lower than the 1,2% recorded in the first quarter of 2012.

According to the results of the April 2013 Bank Lending Survey (BLS) in the euro area, banks continue to expect a similar degree of net tightening of credit standards for loans to businesses in the second quarter of 2013 compared with the first quarter. In contrast, net tightening of credit standards for loans to households, both for house purchase and consumer credit, is expected to be lower than in the first quarter of 2013. In the same period, the decrease in demand for loans by households and businesses is expected to be smaller compared with the previous quarter.

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

HICP inflation in Cyprus is expected to decelerate considerably in 2013, mainly on account of the projected drop in energy prices, the fading impact of the methodological change regarding the calculation of HICP weights and the intensifying downward pressure on prices ensuing from the worsening recession in the Cyprus economy. HICP inflation excluding energy is also expected to record a significant decline, reflecting the anticipated decrease in the prices of unprocessed food and especially services.

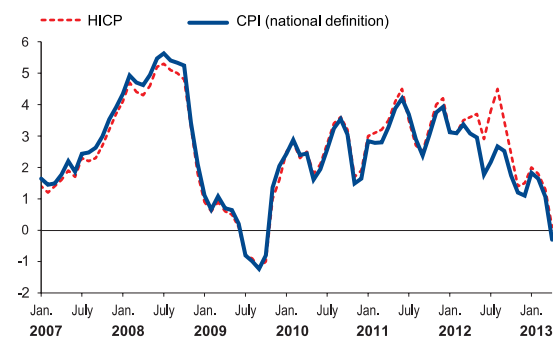
## Prices

Domestic inflation based on the Consumer Price Index (CPI) in April 2013 was negative, at -0,3%, for the first time since October 2009, compared with 1,1% in March 2013 and 3,1% April 2012. For the period January to April 2013, the CPI increased to 1,1%, compared with 3,2% in the corresponding period in 2012. At the same time, inflation, as measured by the HICP, also recorded a significant decrease, to 0,1% in April 2013 compared with 1,3% in March 2013 and 3,6% in April 2012. During the period January to April 2013, the HICP registered a year-on-year increase of 1,3%, compared with 3,3% in the corresponding period in 2012 (**Chart A.15**). Also during this period, lower inflation in relation to the corresponding period last year was registered in all components of the HICP except for processed food, including alcoholic beverages and tobacco products that were affected by the increase in excise duties and, at least partly, by the increase in the standard VAT rate in January 2013. Inflation excluding energy decreased to 0,9% from 1,9% in the same period last year.

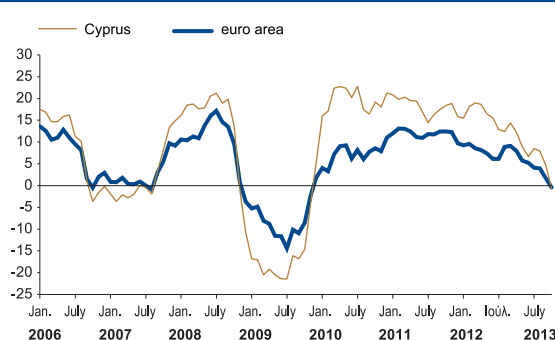
More specifically, in the energy component (**Chart A.16**), there are upward pressures from the increase in both excise duties and the VAT rate from 17% to 18% in January 2013, while the decline in oil prices and the decision of the Cyprus Energy Regulatory Authority to reduce the price of electricity in April and May 2013 are pushing the relevant index downwards. However, the upward effect dominates, at least with regard to the first four months of 2013, with energy prices increasing by 5,0% compared with 17,8% in the corresponding period of 2012. It should be mentioned that the reduction of electricity prices is expected to affect the relevant index more in May than in April. According to the latest available data, in April 2013 energy inflation was negative, at -0,7%, compared with 18,6% in the same month in 2012.

Food prices (**Chart A.17**) in the first four months

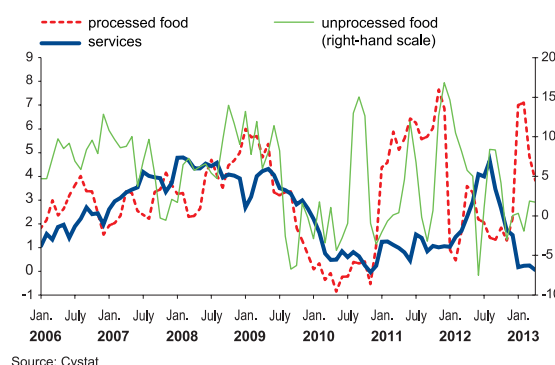
**CHART A.15 Consumer price index**  
(annual change, %)



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



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



of 2013 recorded an increase of 4,0%, compared with 4,8% in the corresponding period in 2012. The decline in food inflation is due to the significantly lower inflation in unprocessed food that offset the higher inflation in processed food. The slowdown in unprocessed food inflation is attributable, especially in the first two months of the year, to a base effect. According to the latest available data, in April 2013 unprocessed food inflation was 1,7%, compared with 5,8% in April 2012.

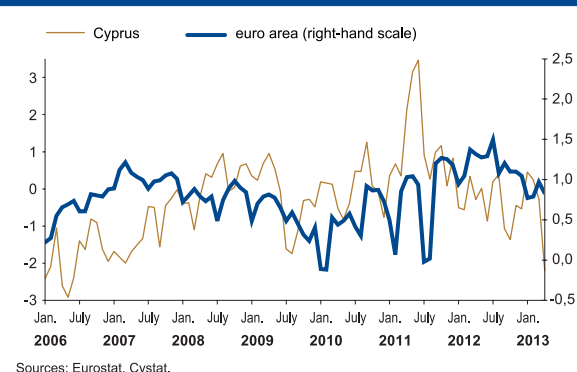
As regards processed food, inflation stood at 5,7% in the first four months of 2013, well above the 1,7% recorded in the corresponding period of 2012. The acceleration of inflation, both in April and in the entire period from January to April 2013, despite moderate increases in the prices of key items of the component such as bread and milk and cereals, is mainly due 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% in the period from January to April 2013, compared with 1,1% in the corresponding period in 2012. This significant drop in core inflation is mainly due to the worsening recession experienced by the Cyprus economy and the concomitant downward pressures on prices, but also to the waning impact of the methodological change regarding the calculation of HICP weights in 2012.

Non-energy industrial goods inflation (**Chart A.18**) was -0,5% in the first four months of 2013, compared with -0,3% in the same period in 2012, reflecting the downward pressure on prices in a component of the HICP which was almost entirely subject to the increased standard VAT rate from 17% to 18% in January 2013. In April 2013, the prices of industrial goods fell by 2,2%, compared with a decline of 0,3% in the same month in 2012.

**Chart A.17** (p. 27) also illustrates the year-on-year

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



percentage change in services prices, which recorded a marginal increase of 0,2% in the first four months of 2013 compared with 1,6% in the corresponding period in 2012. As in the case of industrial goods, the evolution of services inflation reflects the downward pressures on inflation in the wake of the extremely adverse recent economic developments. In April 2013, the percentage increase in the prices of services was about 0,1%, compared with 2,3% in April 2012.

Average domestic inflation in the last quarter of 2012 and in the first four months of 2013 was below inflation in the euro area as a whole. More specifically, for the entire seven-month period, inflation in Cyprus was, on average, lower than in the euro area for all HICP components except processed food. Excluding energy and food, inflation in this period was around 0,4% in Cyprus, compared with 1,4% in the euro area.

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

During 2012 loans to the domestic private sector showed signs of a significant slowdown, growing at an annual rate of only 1,4% in December 2012, in line with the adverse domestic and international macroeconomic environment. During the first three months of 2013, the situation deteriorated slightly further and at the end of March, loans to the domestic private sector increased by 1,3%, compared with 4,3% in March 2012. The very low growth rate recorded at the end of March 2013 also reflects the significant developments in the Cyprus economy as a consequence of the decisions taken regarding the Cyprus MoU, which resulted in significant turmoil in the domestic banking system, culminating in the closure of all financial institutions in the second half of March 2013. It should be noted that at the end of the first quarter of 2013, the annual growth rate of loans was at its second lowest in the

5. For a detailed explanation of the methodology and technical analysis of monetary aggregates, see the **Technical Notes** on p. 77.
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*.

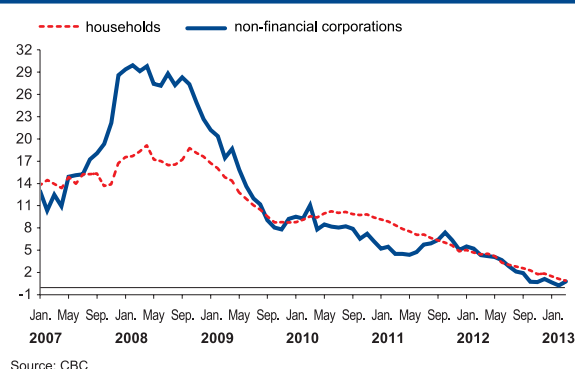
last six years (where comparable data are available), and this is reflected in the historically low rates of growth in the most important categories of loans, i.e. to households and NFCs. At the same time, deposits also continued to record low or negative growth rates in these two categories. It should be noted, however, that in the current Economic Bulletin, the monetary data for loans and deposits for the reference month of March 2013 do not include any adjustments arising from the enforcement of the Sale 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.

In line with the above, the April 2013 BLS showed that, in the first quarter of 2013, banks tightened their credit standards for all loan categories. The tightening was to the same extent as in the fourth quarter of 2012 on loans to NFCs and larger than the corresponding tightening in the fourth quarter of 2012 on loans to households for house purchases, other lending purposes and consumer credit. According to the banks participating in the BLS, during the second quarter of 2013 a tightening of credit standards is expected at the same level as in the first quarter of the year. Moreover, in the second quarter, it is expected that there will be a lower demand for all types of loans to households, as well as for loans to NFCs.

A further analysis of monetary aggregates shows that, as mentioned above, the annual growth rate of loans to the private sector recorded a further slowdown to 1,3% at the end of March 2013, compared with 1,4% at the end of December 2012, and was well below the 4,3% growth recorded in the first quarter of 2012. This was primarily due to the continued slowdown registered by NFCs and housing loans, which in March 2013 recorded the lowest growth rate of the last six years for which data are available (**Chart A.19**).

The growth rate of loans to domestic NFCs recorded a low growth rate of only 0,8% in March

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





2013. In line with the above, and in accordance with the results of the latest BLS, in the first quarter of 2013 businesses reduced their demand for loans, owing to their lower financing needs for fixed investments and, to a lesser extent, to the reduction in their need to finance mergers, acquisitions and restructuring. Furthermore, at the end of the first quarter of 2013, the stricter policy of banks regarding loans to businesses was also influenced by both the cost associated with the capital position of banks as well as their liquidity position.

In the first quarter of 2013, a significant continuous slowdown in the growth rate of loans to domestic households was also recorded (0,9%). The growth rate of these loans was also the lowest recorded over the previous six years. A similar pattern of significant slowdown is exhibited in all sub-categories of loans to households (**Table A.1**). For instance, in March 2013, housing loans to domestic residents registered a historically low growth rate of -0,3%. According to the results of the BLS, in the first 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) a reduction in consumer spending not related to the housing market.

With regard to deposits, the annual growth rate of domestic private sector deposits recorded a negative growth rate, of -1,1%, for the first time in the last six years, reflecting the negative changes in the categories of both domestic households and NFCs. 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 -1,1% in March 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

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

	Outstanding balance as % of total <sup>(3)</sup>	Annual percentage change					
		2011 Dec.	2012 Mar.	2012 June	2012 Sep.	2012 Dec.	2013 Mar.
Domestic households	100,0	4,9	4,5	3,3	2,6	1,9	0,9
1. Consumer credit	14,3	-0,6	0,9	0,5	-0,5	-1,0	-1,1
2. Lending for house purchase	52,9	5,0	4,5	2,7	1,9	0,9	-0,3
3. Other lending	32,8	7,2	6,1	5,7	5,2	4,7	3,9

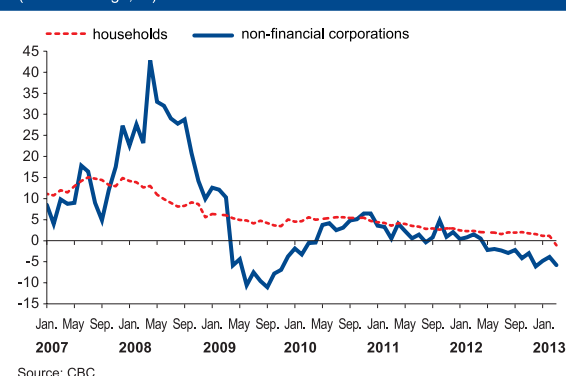
Source: CBC.

(1) Sectoral classification is based on ESA 95.

(2) Including non-profit institutions serving households.

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

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



Source: CBC.

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

	Outstanding balance as % of total <sup>(3)</sup>	Annual percentage change					
		2011 Dec.	2012 Mar.	2012 June	2012 Sep.	2012 Dec.	2013 Mar.
<b>Domestic households</b>	100,0	2,9	2,3	1,9	1,9	1,6	-1,1
Overnight	14,0	2,0	-1,2	1,0	-0,6	-0,9	-0,6
<b>With agreed maturity</b>	78,3	4,2	4,4	3,6	4,0	3,7	-0,1
up to 2 years	73,4	3,4	3,7	3,4	3,8	3,7	0,1
over 2 years	4,9	20,3	18,1	9,2	7,7	3,6	-2,4
<b>Redeemable at notice</b>	7,7	-5,1	-8,4	-10,4	-11,4	-12,5	-11,1
up to 3 months	5,3	-6,9	-12,0	-13,5	-15,0	-16,8	-14,6
over 3 months	2,4	0,5	2,4	-1,5	-1,6	-0,6	-2,0

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.

international macroeconomic environment. In the short term, the recent turmoil in the domestic banking system, following the agreement of the Eurogroup on the MoU for Cyprus – which provides, inter alia, for the restructuring and consolidation of the two major Cyprus banks in the Decree on the haircut of existing deposits over €100,000 – is expected to contribute to the low or negative growth rates in deposits in the following months. Furthermore, the closure of financial institutions from 18 March 2013 until 1 April 2013, the additional restrictive government decrees concerning, amongst other things, deposits, the slowdown in domestic credit growth, the high unemployment rate and the fact that many households use their deposits to cover current debt obligations, are additional factors that may negatively affect future growth rates of deposits.

On account of the negative economic developments, deposits with an agreed maturity recorded, for the first time in the last six years, a negative growth rate, of 0,1%, at the end of the first quarter of 2013 (**Table A2**, p. 31). Deposits redeemable at notice continued to decrease both last year and this year so far, recording at the end of the first quarter of this year one of the highest negative rates of change in the last two and a half years (-11,1%).

Growth rates of deposits of domestic NFCs continued to be negative (**Chart A.20**, p. 31) and decreased significantly, by 5,8%, at the end of March 2013. It should be noted that the negative growth of these deposits recorded in recent months is consistent with the prolonged downturn in economic activity, which has resulted in reduced corporate earnings. As 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 expenditures, such as rent and taxes.

Since August 2011, consecutive negative growth rates have been recorded for deposits of non-resident

NFCs, including deposits by companies without a physical presence in Cyprus (brass plates). More specifically, in the first quarter of 2013, the growth rate of these deposits decreased, year on year, by 19,3%, the highest negative rate of change in this category of deposits in the last six 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. The corresponding deposits of non-resident households displayed a similar pattern, registering a historical negative growth rate of -28% at the end of March 2013. Therefore, at the end of the first quarter of 2012, a historical annual decrease of 22,9% was recorded for total non-resident deposits, including brass plate companies.

### **Interest rates**

During the first quarter of 2013, most lending rates in Cyprus, despite remaining at high levels on average, recorded a slight decrease compared with both the previous quarter and the corresponding period in 2012. Ongoing developments in the financial environment anticipate further reductions in domestic lending rates. So far, factors such as the economic uncertainty in Greece and the continuous downgrades of government bonds and domestic banks by rating agencies have contributed significantly to the continued high domestic interest rates. However, the forthcoming developments in the domestic economic environment are expected to change this steadily rising trend. The final agreement on the MoU, the restructuring of the Cypriot banking system, the recent 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.

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 first 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 March 2013, the average interest rate on housing loans and other lending to households reached 5,19% and 7,02%, respectively (**Table A.3**), while, for the same period, the average rate on new loans to NFCs of up to €1 million reached 7,33% (**Table A.4**).

From early 2012 and for the first three months of 2013, most interest rates on loans from MFIs in the euro area (**Chart A.21**) recorded a slightly downward trend on average. The reductions in the key ECB interest rates also contributed to this development. For example, at the end of the first quarter of 2013, the average rate on new loans to households for house purchase and other lending reached 2,86% and 2,84%, respectively. An easing of borrowing costs (to 3,75% in March 2013) was also recorded on loans to euro area NFCs of up to €1 million.

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

With respect to the deposit rates offered by Cyprus MFIs to households and NFCs (**Table A.5**, p. 35), a slightly downward trend has been recorded in general and is most evident in the case of deposit rates to households. Indicatively, in March 2013 the average rate on new deposits for households with

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

			Floating rate and up to 1 year initial rate fixation		
		Bank overdrafts <sup>(2)</sup>	Consumer Credit	Lending for house purchase	Other lending
2012	Jan.	7,46	6,93	5,48	6,22
	Feb.	7,47	6,98	5,23	6,62
	Mar.	7,35	7,00	5,37	6,39
	Apr.	7,34	6,87	5,37	6,52
	May	7,21	6,99	5,40	6,46
	June	7,34	7,14	5,47	6,88
	July	7,31	7,18	5,36	6,95
	Aug.	7,33	7,30	5,05	6,53
	Sep.	7,34	6,92	5,34	6,58
	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.	7,51	7,20	5,19	7,02

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 <sup>(1)</sup>	Other loans up to € 1 million	Other loans over € 1 million
2012	Jan.	7,18	7,18	7,28
	Feb.	7,10	7,12	6,47
	Mar.	7,12	7,62	6,46
	Apr.	7,04	7,14	6,53
	May	7,03	7,26	6,73
	June	7,10	7,44	6,87
	July	6,96	7,37	6,31
	Aug.	6,94	7,44	6,79
	Sep.	6,90	7,20	6,63
	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.	6,81	7,33	6,76

Source: CBC.

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

an agreed maturity of up to one year reached 4,34%, while the corresponding rate for NFCs stood at 4,15%. So far, domestic credit institutions have increased their deposit rates in an effort to recapitalise and enhance their available liquidity through deposits. However, market analysts believe that, following recent major developments – for example, the agreement on the Cyprus MoU, which includes, inter alia, the extensive restructuring of two large Cypriot banks, and the CBC proposal for a gradual reduction of interest rates from 1 May 2013 – domestic financial institutions are expected to reduce their deposit rates. More specifically, the CBC's proposal for a gradual reduction of deposit rates states that if credit institutions offer deposit rates which exceed the EURIBOR plus 300 basis points, then the credit institution in question must maintain additional capital.

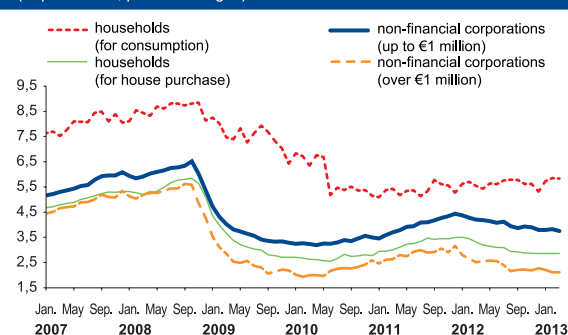
Although deposit rates in the euro area fluctuated at lower levels than in Cyprus, they recorded a further decrease in March 2013 (Chart A.22, p. 36). More specifically, the average interest rate on euro-denominated deposits by households with an agreed maturity of up to one year stood at 2,29% at the end of the first quarter of 2013. The corresponding rate on deposits by NFCs reached 0,93% 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 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

In 2012 labour costs were affected by the contraction in economic activity and registered a significant decrease

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



Source: SDW (ECB).

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

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

		Households <sup>(1)</sup>			Non-financial corporations	
		With agreed maturity				
		Overnight <sup>(2)</sup>	up to 1 year	Over 1 and up to 2 years	Overnight <sup>(2)</sup>	With agreed maturity up to 1 year
2012	Jan.	1,11	4,28	4,58	0,49	3,87
	Feb.	1,12	4,29	4,71	0,49	3,94
	Mar.	1,12	4,34	4,79	0,52	3,62
	Apr.	1,12	4,35	4,77	0,47	4,10
	May	1,09	4,35	4,81	0,49	3,97
	June	1,07	4,33	4,71	0,49	3,54
	July	1,09	4,41	4,72	0,54	4,16
	Aug.	1,09	4,43	4,71	0,56	4,14
	Sep.	1,10	4,43	4,67	0,54	3,52
	Oct.	1,10	4,45	4,69	0,54	4,07
	Nov.	1,10	4,47	4,69	0,55	4,21
	Dec.	1,10	4,52	4,72	0,59	4,10
2013	Jan.	1,10	4,53	4,70	0,54	4,12
	Feb.	1,10	4,52	4,73	0,49	4,27
	Mar.	1,17	4,34	4,54	0,56	4,15

Source: CBC.

(1) Including non-profit institutions serving households.

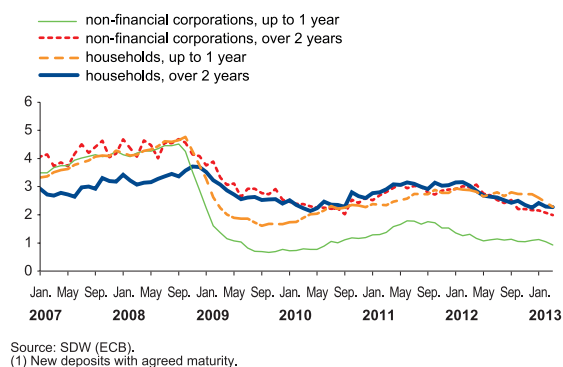
(2) For this instrument category, new business refers to end-of-period.

compared with 2011. Specifically, the annual growth in nominal expenditure for salaries and employer contributions per employee (compensation per employee) was nil<sup>7</sup> in 2012, compared with an increase of 3% in 2011 (**Chart A.23**). This development is due to an annual decrease of 0,1% recorded in the relevant expenditure per employee in the private sector, as well as the reductions in salaries and pensions of public employees. It should be noted that, despite the increased expenditure for gratuity payments due to early retirement, compensation per public employee recorded an annual decline of 0.3%. As regards the sectoral breakdown, reductions were observed across all sectors, with the decline in the tertiary sector, which constitutes about 80% of total employment, being the key factor that explains the almost nil annual increase observed in compensation per employee. In particular, compensation per employee in the tertiary sector exhibited an annual decrease of 0,2% in 2012, compared with a significant increase of 2.9% in 2011 (**Chart A.23**).

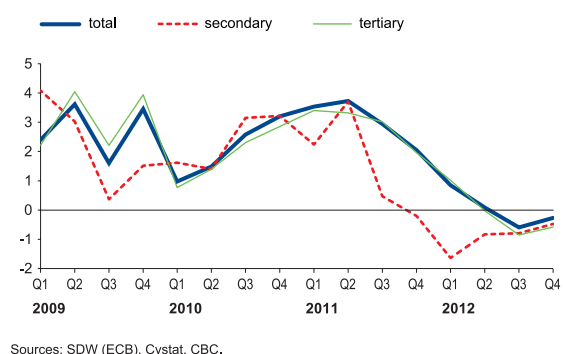
Real compensation per employee recorded a significant annual decline of 2,5% in 2012, compared with a decrease of 0,4% in 2011 (**Chart A.24**). This development is mainly attributable to the significant slowdown in compensation per employee (nil growth in 2012 compared with an increase of 3% in 2011) relative to the growth rate in the level of prices. Regarding productivity, calculated as the change in real GDP per person employed, this indicator registered an annual increase of 0,9% in 2012, compared with nil growth in 2011 (**Chart A.24**). The growth in productivity over 2012 is attributable to the relatively larger decline in employment over the year under consideration compared with the decrease observed in production. Specifically, employment exhibited a significant decrease of 3,3% in 2012, compared with an increase of 0,5% in 2011, whilst real GDP registered a smaller contraction of 2,4% in 2012, compared with an increase of 0,5% in 2011.

Unit labour costs were affected by the slowdown in nominal compensation per employee and the increase in productivity and recorded an annual decrease of 0,9%

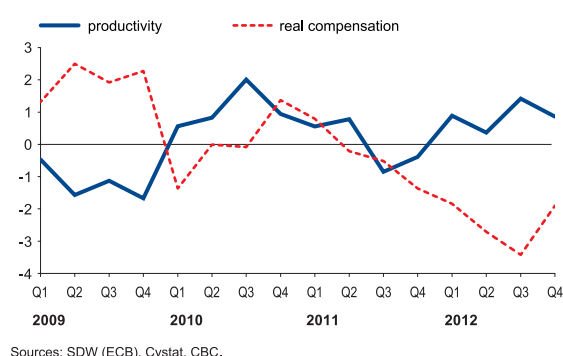
**CHART A.22 Euro area MFI interest rates on euro-denominated deposits (new business) by euro area residents<sup>(1)</sup>**  
(% per annum, period averages)



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



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



7. Note that the historical data for 2011 and 2012 used in **Charts A.23, A.24 and A.25** and which relate to total expenditure for salaries and employer contributions are not published. These data incorporate adjustments by the CBC based on estimates of the contributions and reductions in salaries and pensions of public employees in view of the forthcoming revisions to be made by Cystat.

in 2012, compared with an increase of 3% in 2011. By contrast, unit labour costs in the euro area recorded a further increase of 1,7% in 2012, up from 1% in 2011 (**Chart A.25**). Unit labour costs are an important indicator of an economy's competitiveness in relation to other economies. Therefore, it is important for an economy in the medium and long term to maintain the relevant indicator at low levels.

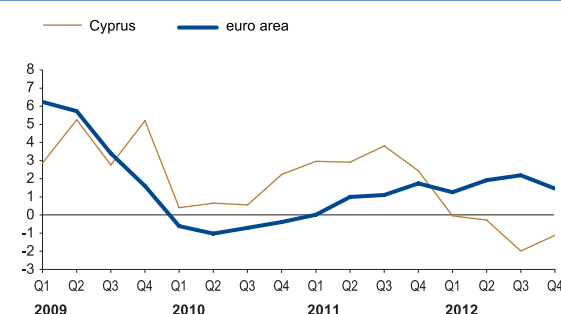
### 3. Domestic Competitiveness and Balance of Payments

#### Effective exchange rate

**Chart A.26** presents the effective exchange rate (EER) of the national currency, the index of the real EER (REER), as calculated by the IMF, and the real and nominal EER index, as calculated by the CBC<sup>8</sup>. The chart shows a gradual strengthening of the REER over the last four months of 2012, as well as over the first two months of 2013, while a weakening is recorded during March 2013. In general, the course of REER indices reflects the path of the euro. The weakening recorded in March 2013 is due to the particular situation in the domestic banking system observed during the second half of the month.

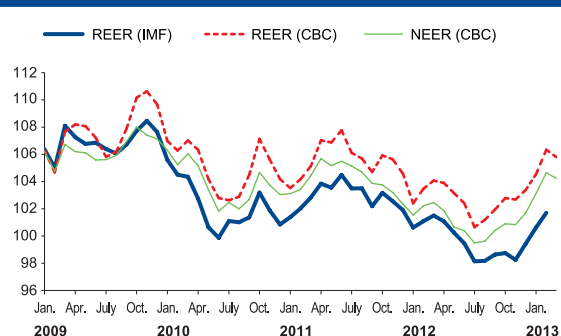
The REER, inflation and unit labour costs are important indicators of the competitiveness of the Cyprus economy, especially when compared with the respective indicators of competing countries. More specifically, higher unit labour costs and an appreciating REER in Cyprus indicate that domestic exports are more likely to be less competitive and imported products cheaper, so imported products tend to be preferred over domestic ones. Higher inflation encompasses, inter alia, the two aforementioned indicators and therefore reflects the potential competitiveness problems faced by the Cyprus economy. The adoption of measures affecting the salaries of public servants within the

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



Source: SDW (ECB).

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



Sources: CBC, IMF.

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



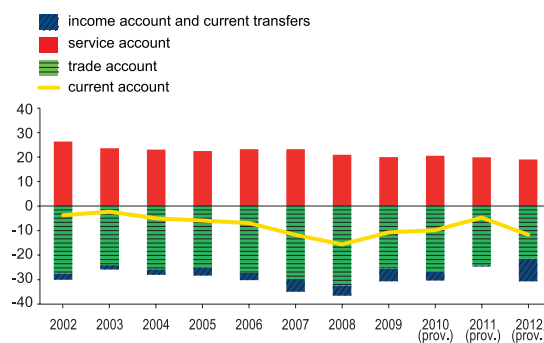
framework of the MoU, as well as the anecdotal evidence of salary reductions observed in the private sector, are expected to further reduce unit labour costs in the economy as a whole. This would not only assist the medium-term competitiveness of Cyprus, but also the recovery of the economy. In other words, the painful short-term adjustment being felt in terms of wages and employment sets the stage for a healthier and more competitive economy in the medium and long term, thus creating the appropriate macroeconomic environment in which a sustainable resurgence of real wages and employment can be achieved without harming the competitiveness of the Cyprus economy.

### Balance of Payments

The current account deficit (**Chart A.27**) registered a significant deterioration in 2012, increasing from 4,7% to 11,7% as a percentage of GDP. This deterioration is mainly due to the deficit recorded in the income account. The balance of goods and services, which is more important for an analysis of the competitiveness of a small and open economy like Cyprus, improved significantly, with the deficit being reduced mainly on account of a decline in imports. This improving trend appears to be continuing in 2013, since, according to preliminary data for the first quarter of 2013, the trade deficit (which records imports and exports of goods) registered a significant improvement, with the deficit dropping to €830,5 million versus a deficit of €1076,6 million in the corresponding period last year. This improvement was mainly due to the significant decrease by €233,5 million in imports compared with the first quarter of 2012. The contraction of the economy in 2012, as well as the projected contraction in 2013, translates into lower imports on account of the reduced levels of consumption and investment.

More specifically, in 2012 the trade deficit amounted to €3.852,6 million, compared with €4.348,6

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



Source: CBC.



million in 2011, as a result of the significant decrease in imports of goods by 8,1%, reflecting the declines observed in almost all categories of imports of goods. An exception is the category of imports of petroleum products, which recorded significant growth owing to the increase in the price of petroleum products. The reduction in the trade deficit was further strengthened by the slight increase of 2% in exports of goods, owing to increased exports of domestically produced goods. Re-exports of goods decreased slightly. More recent data on the trade balance of goods covering the first quarter of 2013 (**Table A.6**) supports the trend observed in 2012, registering a reduction in imports of 16,7% and an increase in exports of 3,9% compared with the same period in 2012.

The services balance deteriorated by €181,8 million in 2012 compared with 2011. This can be attributed in almost equal parts to the reduction in exports of services and to the increase in imports of services. The most significant decrease in exports was in the financial services category, which recorded a decrease of 23,4% (or €153,9 million). Income from the category of total transport recorded a decrease of 3,1% (or €46,2 million), a development which is largely due to the reduction in revenues from the sub-category of sea transport. At the same time, a slight decrease was recorded in receipts from exports of other business services (which includes receipts associated with legal, accounting and business consulting services). These decreases in receipts from exports were offset to some extent by the significant increase in revenues from tourism, as indicated by the increased receipts (by 9,6%, or €177,3 million) in the category of travel, which include revenues from tourism. The increased receipts from tourism are a result of increases in tourist arrivals and their per capita expenditure. In 2012 receipts in the category of travel were, for the first time since 2009, the most important category of exports of services, since in 2010 and 2011 the most important category of exports

**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.-Mar.	1.401,0	324,4	1.076,6
2013 Jan.-Mar.*	1.167,5	337,0	830,5
annual % change	-16,7	3,9	-22,9

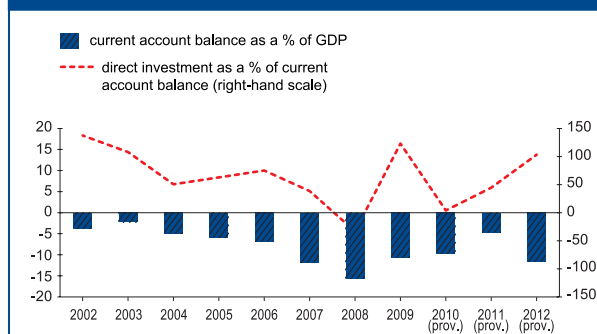
\* provisional data.  
Source: Cystat.

of services was that of other business services. Given the events in the domestic banking sector, the exports of financial services and other business services may continue to record reductions, which should be covered by increases in the exports of other services. As regards the imports of services, the most significant increases were recorded in the categories of tourism and other business services. Specifically, tourism spending rose by 6,8%, owing to the increase in per capita expenditure. Expenditure in the category of other business services recorded a significant increase of 23,6% (or €51,5 million) compared with 2011. This is due to observed increases in spending on operating leases, principally because of the rents paid by the Electricity Authority of Cyprus for the hiring of generators, but also to increases in expenditure on business consulting and public relations services.

As mentioned, the deterioration in the current account deficit is mainly due to the deterioration recorded in the income account, where a deficit of €1.459,5 million, or 8,2% of GDP, was recorded in 2012 compared with a surplus of €110,2 million, or 0,6% of GDP, in 2011. This deterioration can be explained entirely by the category of direct investment, which recorded a significant decrease of €1.522 million compared with 2011. This is due primarily to increased losses of branches and/or subsidiaries of Cypriot companies abroad (including banks), the limited payment of dividends to Cypriot shareholders in 2012 and the profits of Cypriot companies of foreign interest compared with losses in 2011.

The financing of the current account deficit (**Chart A.28**) in 2012 was mainly the result of portfolio investment and, to a lesser extent, foreign direct investment. The course of foreign direct investment in 2012 was influenced primarily by the direct investments of residents abroad and, more specifically, by the losses registered by companies of Cypriot interest abroad (including banks), as well as by the repayment of loans

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



Source: CBC.

which were granted by companies of Cypriot interest to their related companies. At the same time, investments in Cyprus rose, principally as a result of the undistributed profits (reinvested earnings) of companies of foreign interest registered in Cyprus. In 2012 there were net inflows in the asset side of portfolio investment, owing to the liquidations in securities issued by non-residents, and net outflows on the liabilities side of portfolio investment.

## Tourism

In 2012 tourist arrivals increased by 3% compared with 2011, while revenue increased by 10,2% as a result of the increase in per capita spending by 6,9% (**Table A.7** and **Chart A.29**).

Although for the first four months of 2013 a decrease of 12,2% was recorded in tourist arrivals, it is expected that 2013 will be a good year for the sector, based on anecdotal evidence regarding bookings for the summer of 2013. The improved path of tourism partly reflects the negative geopolitical circumstances in competing destinations of the Mediterranean, the efforts of the Cyprus Tourism Organisation (CTO) and the private sector to improve the tourist product of Cyprus, as well as the penetration into new markets such as that of Russia. In particular, arrivals from Russia increased by 42% in 2012 compared with 2011, a fact reflected in tourism revenues, given that Russian tourists appear to spend more.

The developments in 2012 revealed that the tourism sector remains important for domestic growth, since any loss in competitiveness as a result of prices has been offset by the penetration into new markets as well as the emphasis placed on new types of tourism products.

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.-Feb.	103,0	62,3	604,9
2013 Jan.-Feb <sup>1</sup>	84,6	61,2	723,4
annual % change	-17,9	-1,8	19,6
2012 Jan.- Apr. <sup>2</sup>	387,0	-	-
2013 Jan.- Apr.	339,7	-	-
annual % change	-12,2	-	-

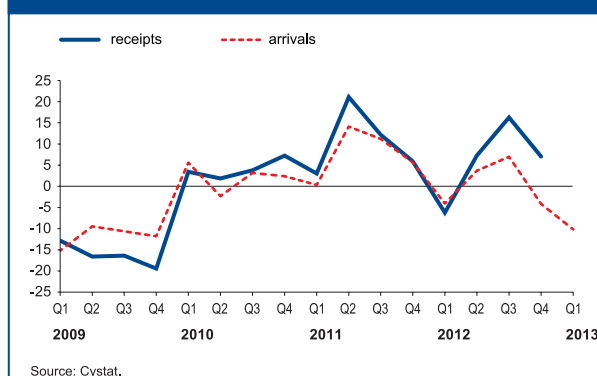
(1) Arrivals data for January 2013 are based on Cystat estimations.

Receipts data for January 2013 are based on CBC estimations.

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

Source: Cystat.

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



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

### Quarterly national accounts

The Cyprus economy recorded a negative growth rate of -2,4% in 2012, compared with a positive growth rate of 0,5% in 2011. Based on preliminary data for the first quarter of 2013, GDP decreased further by 4,3%.

Detailed data for 2012 (**Charts A.30(a)** and **A.30(b)**) shows a significant deterioration in private consumption, by 3%, although gross fixed capital formation displays a much greater reduction, of 23%. As a result of the deterioration in domestic demand, imports of goods and services recorded a sharp decrease of 7,2%. Exports, in the other hand, rose by 2,3%.

### Domestic demand

Recent economic indicators reflect the negative developments affecting domestic demand. Based on the relevant confidence and domestic economic indicators, GDP growth is expected to continue to be weak (**Table A.8**). Specifically, the economic sentiment indicator fell from 73,5 in December 2012 to 64,4 in April 2013, which represents the lowest level ever recorded by this indicator. At the same time, the retail sales index (**Chart A.31**, p. 43), private sector lending, registration of motor vehicles (**Chart A.32**, p. 43) and VAT receipts were on a negative path during the period under review. Credit card payments also recorded lower growth rates (**Chart A.33**, p. 43).

### Construction

The significant downturn in the construction sector over the past three years continued in the first few months of

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

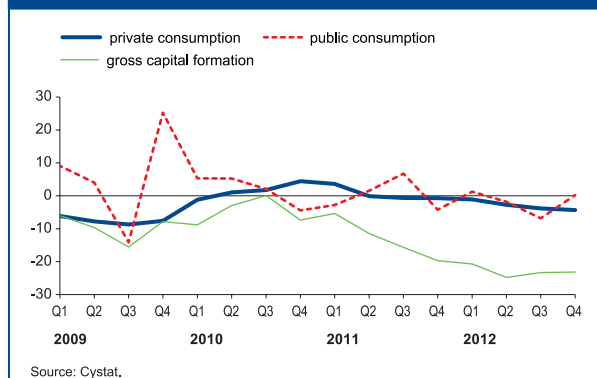


CHART A.30(b) Quarterly GDP growth (expenditure categories) (annual change, %)

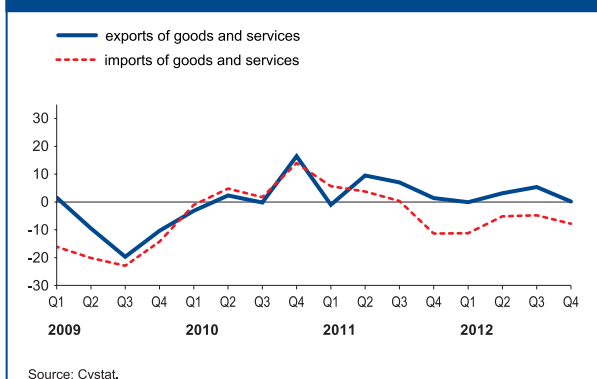


TABLE A.8 Business and consumer surveys: confidence indicators

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

	2012 Dec.	2013 Jan.	2013 Feb.	2013 Mar.	2013 Apr.
ESI	73,5	77,8	79,8	82,0	64,4
Industry	-28	-24	-22	-21	-37
Services	-41	-34	-42	-37	-59
Consumer	-61	-54	-45	-40	-64
Retail trade	-32	-31	-29	-27	-49
Construction	-57	-62	-62	-60	-73

Source: European Commission.  
Note: Seasonally adjusted data.

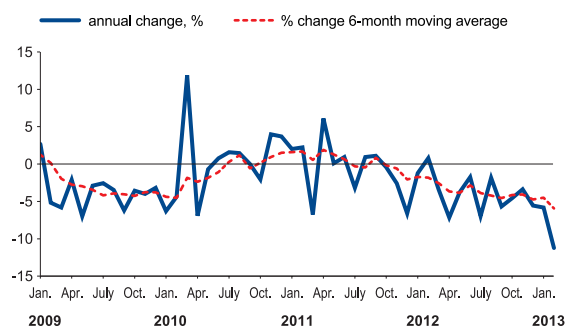
2013, in connection with the overall decline in economic activity. Further reductions in public sector wages in December 2012 (resulting from the MoU for the funding of Cyprus by the Troika), together with the general reduction in wages ensuing from the worsening financial crisis and the restrictions on capital flows following the Eurogroup's decision, created further liquidity problems in firms and households, thus limiting trade and economic activity in general.

Liquidity constraints, combined with increasing uncertainty in the domestic economy, had a significant impact on the property market. This is reflected in the 24.4% annual decline in domestic cement sales for the first quarter of 2013 (**Chart A.34**, p. 44), as well as in the confidence index in the construction sector in Cyprus, as published by the European Commission Business and Consumer Surveys, which deteriorated from -59.4 in the fourth quarter of 2012 to -61.4 in the first quarter of 2013 (**Chart A.35**, p. 44).

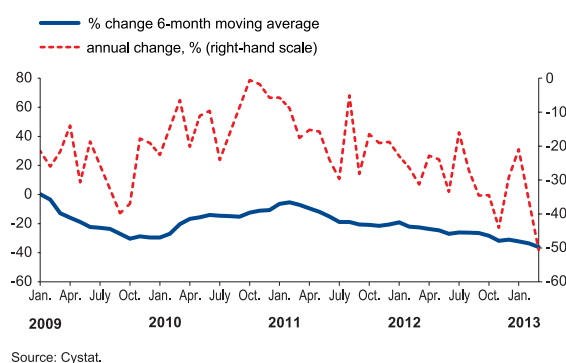
The downturn in construction activity is also apparent in the low levels of demand for property, as reflected by data from the Department of Lands and Surveys. Specifically, in the first four months of 2013, the total number of title deeds (both domestic and foreign buyers) decreased annually by 43.9% (**Chart A.36**, p. 44), reflecting reductions of 49.54% and 21.7% for residents and non-residents, respectively. However, in April 2013 there was a slight recovery in the number of title deeds held by foreign buyers in the coastal areas (Larnaca, Famagusta and Paphos), compared with earlier months that year. This recovery can mainly be attributed to the new measures adopted to grant an immigration permit, within the scope of the new expedited procedure for applicants who are third country nationals and invest in Cyprus, and attracted mostly Chinese buyers.

However, the lack of liquidity in the market, which prevents potential Cypriot or foreign investors from expressing their interest in the real estate market,

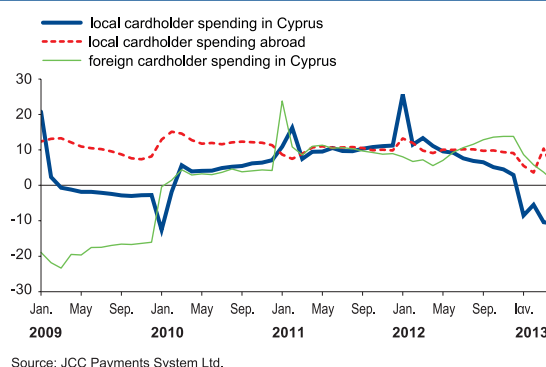
**CHART A.31 Retail sales (excluding motor vehicles)**



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



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

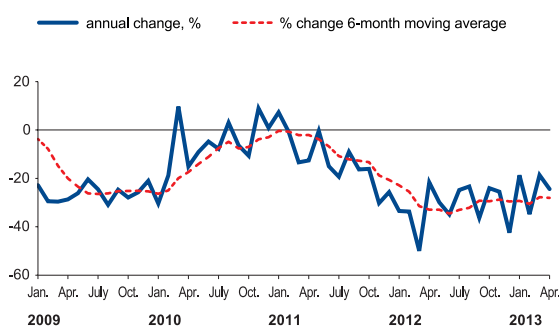


contributes significantly to the ongoing contraction in construction activity. Moreover, according to the CBC Bank Lending Survey, potential buyers of immovable property have been experiencing more difficulties in terms of borrowing from local MFIs since the criteria for granting mortgage loans were further tightened during the first quarter of 2013 (**Chart A.37**, p. 45). In fact, these criteria are now at their strictest level since the fourth quarter of 2008, whereas mortgage rates, as already mentioned, showed a marginal decrease compared with the same period last year.

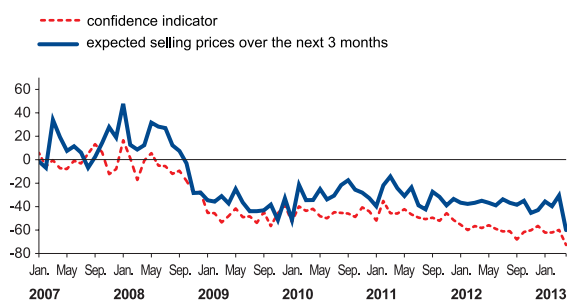
Stricter criteria for granting loans, resulting from the difficulties faced by banks to strengthen their capital adequacy, as well as the further decrease in household income, led to a reduced demand for loans for house purchase purposes. The high lending rates also limit demand for housing loans by potential property buyers. During the first three months of 2013, net repayments of housing loans were higher than in the same period of 2012.

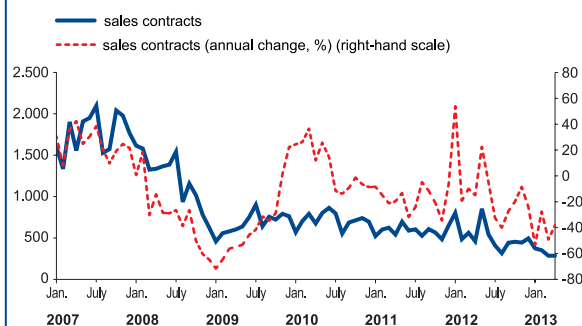
As regards short-term prospects for the construction sector, the above data show that construction activity is expected to remain at low levels. This is also shown by the downward trend recorded since the beginning of the year in the number of building permits issued for residential buildings, which is a leading indicator of construction activity. Specifically, according to the Statistical Service of Cyprus (Cystat), there was a year-on-year decrease of 18,4% (**Chart A.38**, p. 45) in the number of building permits issued in the first two months of 2013 compared with the same period in 2012. Also, according to the European Commission Business and Consumer Surveys, the index of intention to build or purchase a home in the next 12 months remained relatively stable, at the very negative level of -90,9 in the first quarter of 2013, compared with -89,6 in the fourth quarter of 2012.

Moreover, the index of property price expectations over the next three months, published in the same survey,

**CHART A.34 Sales of cement**


Source: Cystat.

**CHART A.35 Construction confidence indicators**

Source: EC.  
Note: Seasonally adjusted data.

**CHART A.36 Sales contracts**  
(total of locals and foreigners)


Source: Department of Lands and Surveys.

shows a relative increase, although it remained in negative territory at -35,3 in the first quarter of 2013 and fell to -60,0 for the first time in April. The index of employment expectations in the construction sector for the next three months was also more negative in the first quarter of 2013 (-35,23) than in the fourth quarter of 2012 (-34,43).

Nevertheless, as mentioned above, some positive signs are emerging from the effort to attract foreign investors into the property market, mainly from China, through the new measures adopted to grant an immigration permit, within the scope of the new expedited procedure, to applicants who are third country nationals and who have bought properties in Cyprus since August 2012. However, the overall negative performance of the sector is not expected to be reversed any time soon.

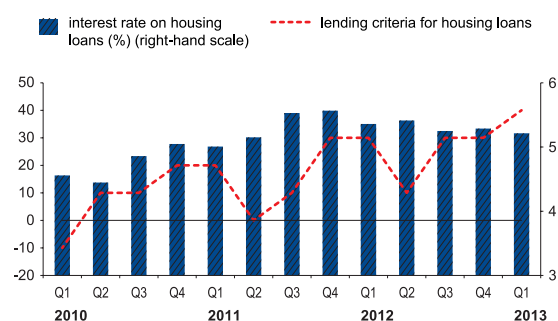
### Labour market

In line with the contraction in economic activity, employment recorded a significant annual decrease of 3,3% in 2012, compared with an increase of 0,5% in 2011 (**Chart A.39**). It should be noted that the annual decrease observed in the number of self-employed individuals in 2012 reached 8% and was much higher than the decrease of 2,3% observed in the number of employees.

There was a slightly larger reduction in total hours worked in 2012 compared with the decline in employment, thus leading to a marginal reduction of 0,2% 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 individual because of the apparent tendency of the self-employed to dismiss employees and to work longer hours themselves. Over the period under review, the hours worked per self-employed individual increased significantly, on an annual basis, by 5%, while hours per employee decreased by 1,2%.

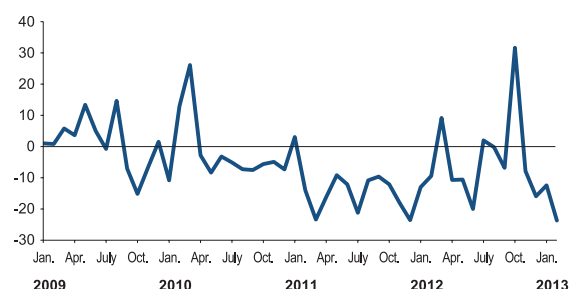
In conjunction with the significant reduction in

**CHART A.37 Lending criteria and interest rate on housing loans**



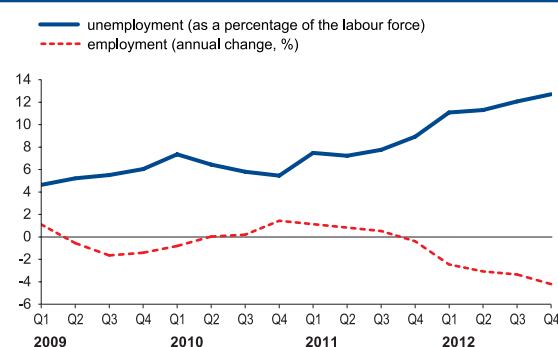
Source: CBC.

**CHART A.38 Building permits authorised**  
(% change previous year)



Source: Cystat.

**CHART A.39 Unemployment and employment**



Source: Cystat (LFS).

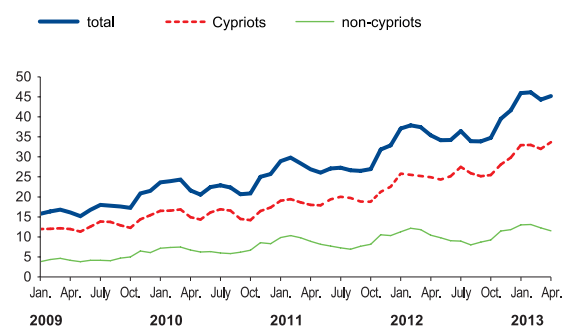


employment, a dramatic increase in unemployment was observed. Specifically, the unemployment rate in 2012 increased by about 4 percentage points compared with 2011, reaching 11,8% according to data from the LFS (**Chart A.39**, p. 45). The path of unemployment is directly related to that of GDP and the uncertainty prevailing in the domestic market.

This picture is reinforced when considering Cystat data on registered unemployment, the most recent data for which is available up to April 2013 (**Chart A.40**). Specifically, when compared with the corresponding month of the previous year, the year-on-year increase in April 2013 amounted to 27,7% (from almost 35.400 individuals to 45.200 individuals), an increase of 2,1% (or 918 individuals) compared with the previous month alone. With regard to the distribution of the increase among Cypriots and non-Cypriots, the year-on-year increases in April 2013 compared with the corresponding month of the previous year reached 35,1% and 10,1% (increases of 8.700 individuals and 1.100 individuals), respectively. Compared with the previous month, Cypriots registered unemployed increased by 1.700 individuals, while non-Cypriots registered unemployed decreased by 748 individuals.

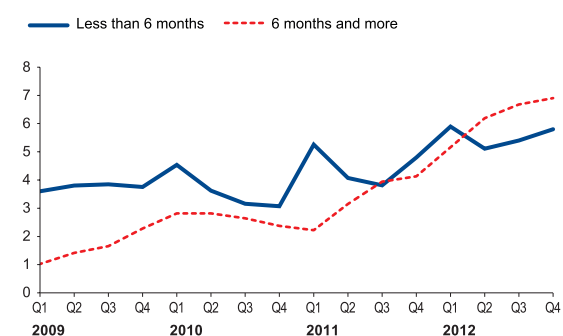
In this period of increased uncertainty and economic instability, it is important to track unemployment by duration. According to the LFS data shown in **Chart A.41**, the rate of unemployment for a duration of six months and longer reached 6,9% in the fourth quarter of 2012, compared with 4,1% in the corresponding quarter of 2011. According to Cystat data on registered unemployment, the number of registered unemployed for six months and longer increased by 5.400 in April 2013 compared with the corresponding month of 2012, while in relation to March 2013 it increased by 1.400.

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



Source: Cystat.

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



Source: Cystat (LFS).



## 5. Domestic Public Finance Developments

### Fiscal developments in 2012

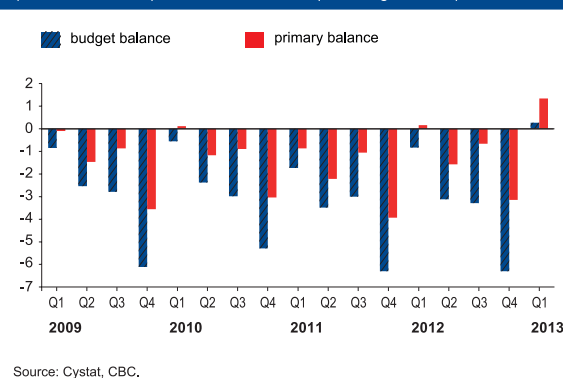
The general government budget deficit, as a percentage of GDP, stood at 6,3% in 2012, unchanged compared with 2011 (**Chart A.42**). This development is attributable to the equivalent and almost nil growth in public revenue and expenditure (**Chart A.43**).

Despite significant increases in taxation rates, the revenue-to-GDP ratio increased marginally, by about 0,3 percentage point, to 40%, owing to the significant contraction in economic activity. Total expenditure, excluding expenditure for interest payments and social benefits, recorded a significant annual decrease of about 4%, owing to the reduction in expenditure for compensation of employees, intermediate consumption and gross fixed capital formation. Nevertheless, the increase in expenditure for interest payments, pensions and unemployment benefits led to an increase in the expenditure-to-GDP ratio by 0,3 percentage point to 46,3%, with total expenditure in nominal terms remaining at the same levels as in 2011. Note that the primary deficit<sup>9</sup> as a percentage of GDP exhibited an improvement of about 0,8 percentage point in 2012 to stand at 3,1% (**Chart A.42**).

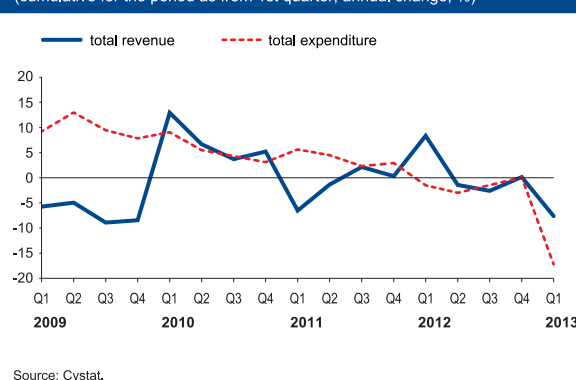
The general government consolidated gross debt-to-GDP ratio<sup>10</sup> increased by about 15 percentage points, reaching 85,8% (**Chart A.44**), mainly on account of the issuance of a government bond in June 2012 for the recapitalisation of the Cyprus Popular Bank.

The budget deficit as a percentage of GDP was significantly higher in 2012 than the 2,6% target set in the Stability Programme of the Republic of Cyprus covering the period 2011-2015 and published in April 2012. This can be attributed, principally, to adverse effects on tax revenues owing to weaker than projected domestic demand and, secondly, to higher

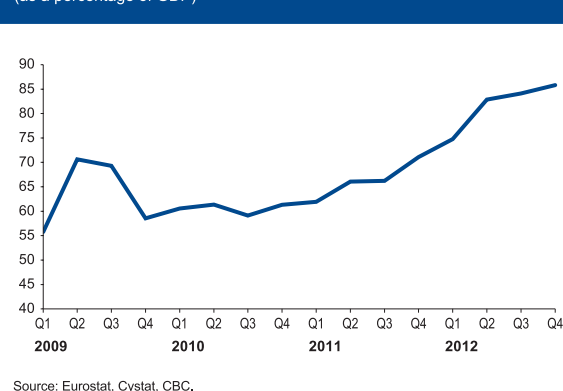
**CHART A.42 Budget and primary balances of the general government**  
(cumulative for the period as from Q1 as a percentage of GDP)



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



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



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

10. 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.

than expected spending, mainly related to one-off expenditures for capital transfers and other current transfers. These transfers include expenditure relating to insurance costs arising from the explosion at the Vasiliko power station in 2011, payable over a period of four years but fully booked in the 2012 general government accounts. They also relate to the recording of a capital transfer for the capitalised interest payment of the government bond issued in 2012 to recapitalise the Cyprus Popular Bank.

### Current fiscal developments

With regard to fiscal developments over the first quarter of 2013, preliminary data published by Cystat relating to general government revenue and expenditure indicate an improvement in public finances. In this respect, the budget balance as a percentage of GDP recorded a surplus of 0,3%, compared with a deficit ratio of 0,8% over the corresponding period of the previous year (**Table A.9**). Moreover, an improvement in the primary surplus was observed, reaching 1,3% of GDP over the period under consideration, compared with a surplus of 0,2% registered over the corresponding period of the previous year (**Chart A.42**, p. 47).

In more detail, the revenue-to-GDP ratio remained at approximately the same level as in the corresponding quarter of 2012, with total revenue in nominal terms recording a year-on-year decline of 7,6% (**Table A.9**). A significant year-on-year decrease was observed in tax revenues owing to the dramatic contraction in economic activity. This decrease was partially offset by the significant increases observed in the categories of (i) "Market output and output for own final use", by 147%, on account of one-off revenues from licensing fees arising from the sale of exploration rights for hydrocarbons in the EEZ; and (ii) "Property income", by 233,2%, on account of the high dividends paid out by the CBC to the Consolidated Fund of the General

TABLE A.9 Accounts of general government

	Jan.-Mar. 2012 (€ million)	Jan.-Mar. 2013 (€ million)	Change %
<b>EXPENDITURE</b>			
Intermediate consumption	199,5	156,0	-21,8
Gross fixed capital formation	98,9	52,1	-47,3
Compensation of employees	655,1	609,6	-6,9
Other taxes on production	0,1	0,1	0,0
Subsidies payable	36,5	31,1	-14,8
Interest paid	176,8	176,3	-0,3
Social benefits	583,6	449,5	-23,0
Other current transfers	106,8	82,5	-22,8
Capital transfers payable	29,2	4,8	-83,6
<b>Total expenditure</b>	<b>1.886,5</b>	<b>1.562,0</b>	<b>-17,2</b>
<b>Total expenditure as a % of GDP</b>	<b>10,5</b>	<b>9,5</b>	
<b>REVENUE</b>			
Market output & output for own final use	109,5	270,5	147,0
Taxes on production and imports	602,7	451,5	-25,1
of which VAT	342,2	244,8	-28,5
Property income receivable	31,6	105,3	233,2
Current taxes on income, wealth, etc	533,1	411,7	-22,8
Social contributions receivable	426,3	345,7	-18,9
Other current transfers receivable	33,6	20,9	-37,8
Capital transfers receivable	1,7	0,6	-64,7
<b>Total revenue</b>	<b>1.738,5</b>	<b>1.606,2</b>	<b>-7,6</b>
<b>Total revenue as a % of GDP</b>	<b>9,7</b>	<b>9,8</b>	
<b>Surplus (+) / Deficit (-)</b>	<b>-148,0</b>	<b>44,2</b>	
<b>Surplus (+) / Deficit (-) % of GDP</b>	<b>-0,8</b>	<b>0,3</b>	

Source: Cystat, CBC.

Government Account.

Regarding developments in public expenditure (**Table A.9**, p. 48), the significant year-on-year reduction of 17,2% registered over the first quarter of 2013 is attributable to decreases across all spending categories, partly on account of the extraordinary situation in the banking system that prevailed in the second half of March and which was associated with a delay in the processing of payments. This can be explained primarily by the significant annual reduction in expenditure on social benefits, by 23%, as well as the ongoing reductions in expenditure on gross fixed capital formation (47,3%), compensation of employees (6,9%) and intermediate consumption (21,8%).

As regards developments in public debt, despite the fact that, according to data published by the Public Debt Management Office, there was no significant change in the level of central government debt in nominal terms over the first three months of 2013, the relevant indicator increased by 7,7 percentage points of GDP as a result of the significant reduction projected in nominal GDP for the year under consideration.

### **Fiscal policy issues**

On 25 June 2012, the Republic of Cyprus requested external financial assistance from euro area member states and the IMF to address financial, fiscal and structural challenges. A provisional staff-level agreement was reached on 23 November on the policy side of a draft MoU. In December 2012 the Parliament approved the majority of fiscal measures covering the period 2012-14, including important reforms associated with the pension system, welfare benefits and the Cost of Living Adjustment. The Government also legislated on key elements of the reinforced fiscal governance framework, including the strengthening of the medium-term budgetary framework and the main requirements of the fiscal compact.

On 25 March 2013, the Eurogroup approved the upfront resolution and recapitalisation strategy for the Cyprus Popular Bank and the Bank of Cyprus, as well as the core parameters of the programme. On 12 April 2013 the Eurogroup endorsed the MoU between the Cyprus Government and the international partners. The external financial assistance programme amounts to up to €10 billion (€9 billion from the ESM and €1 billion from the IMF) and covers a three-year economic adjustment period stretching to the beginning of 2016.

## 6. Macroeconomic Projections for Cyprus

The macroeconomic projections for the main aggregates of the economy are based on the MoU that has recently been concluded with the EC, the ECB and the IMF. These projections also take into account the assumptions of the Eurosystem and the most recent data relating mainly to GDP and inflation. In general, the projections for 2013 and 2014 have been revised downwards substantially compared with the December 2012 projections. The uncertainty that has prevailed in the domestic market in recent months, and especially the events of March 2013 that led to the consolidation of the banking system through the sale of particular operations of the Cyprus Popular Bank and the recapitalisation of the Bank of Cyprus through its own resources, have fundamentally changed the macroeconomic landscape of the economy and have drastically affected forecasts.

### Assumptions

As mentioned above, the macroeconomic forecasts for Cyprus are based on the Eurosystem's assumptions about the world economy (economic fundamentals for the global economy, international commodity prices and international financial data). The assumptions cover variables such as interest rates, exchange rates, oil prices

and international trade. These projections are used to analyse and evaluate international developments and the risks to price stability by the ECB's Governing Council, which is responsible for setting monetary policy in the euro area. The projections are based on a common set of assumptions and data that were available up to 22 May 2013. Moreover, the projections include the fiscal consolidation measures as listed in the MoU, as well as those that were included in the initial agreement reached in November 2012 and which have been included in the projections of December 2012.

Regarding exchange rates, the working hypothesis adopted is that the euro will fluctuate around \$1,31 in 2013-2014. The price of oil is expected to be \$105,5 per barrel on average in 2013, while in 2014 it is expected to fall to \$100.

### Eurosystem projections for the euro area

Based on the common assumptions above, inflation in the euro area is expected to range between 1,3% and 1,5% in 2013, compared with 2,5% in 2012 (**Table A10**). In 2014 inflation is expected to range between 0,7% and 1,9%. The projected decline in inflation in 2013 is due to the expected downward developments in the subcategories of energy and food, as well as the partial slowdown in other subcategories, reflecting the subdued level of economic activity. The stable medium-term prospects for inflation reflect the offsetting effects of the reductions in energy prices on the one hand, and the marginal recovery in food prices and the modest increase in core inflation as a result of the expected small economic recovery on the other.

The GDP growth rate is forecast to range between -1% and -0,2% in 2013 and 0% and 2,2% in 2014. The modest recovery is expected to stem initially from exports, on account of the gradual increase in external demand. In due course, a recovery in domestic demand

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

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

Source: ECB.

is expected on account of the reduced impact of fiscal consolidation in 2014, the effect of the loosening of monetary policy, the reduced constraints on credit supply and the decline in inflation, which should boost income at constant prices. The need for further adjustment in the private sector balance sheets, as well as developments in the labour market, mitigate the emerging medium-term prospects.

### Forecasts for the Cyprus economy

The projections for the Cyprus economy have been revised downwards substantially since the December 2012 forecast, reflecting the new situation following the final agreement reached within the framework of the MoU. This resulted in the consolidation of the banking system through the sale of particular operations of the Cyprus Popular Bank to the Bank of Cyprus, as well as the recapitalisation of the Bank of Cyprus through its own resources. The projections also reflect the adoption of certain fiscal consolidation measures in addition to those which were included in the initial agreement in November 2012 and which were incorporated in the December 2012 forecast. The negative impact on the economy is unprecedented and led to a significant contraction of GDP in 2013, while a further, albeit less pronounced, contraction is expected in 2014.

### Prices: Harmonised Index of Consumer Prices

HICP inflation in Cyprus is expected to decelerate significantly to 0,8% in 2013, compared with 3,1% in 2012 (**Table A.11**), mainly on account of the worsening recession in the Cyprus economy and the projected drop in energy prices. Accordingly, inflation excluding energy is also projected to register a substantial drop to 1,0%, down from 2,0% in 2012, despite the increases in both the standard VAT rate (from 17% to 18%) and

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

	2012	2013f	2014f
<b>HICP</b>			
June Projections 2013	3,1	0,8	0,9
December Projections 2012	3,1	1,5	1,3
<b>HICP excluding energy</b>			
June Projections 2013	2,0	1,0	1,1
December Projections 2012	1,9	1,9	1,7

Sources: Cystat, CBC.

excise duties in January 2013.

In 2014, inflation is expected to remain broadly unchanged, at around 0,9%, mainly on account of the anticipated persistence of recessionary conditions and despite the additional indirect taxes that are scheduled to be imposed on the basis of the agreed MoU. Similarly, excluding energy, inflation in 2014 is projected to remain at broadly the same level as in 2013, at around 1,1%.

### **Compensation, productivity and the labour market**

The sizeable contraction in economic activity projected for 2013 on account of the abrupt and acute restructuring of the banking system, as well as the impact of the ongoing fiscal consolidation efforts, is expected to significantly affect employment. In more detail, over the course of the year, employment is expected to decline by 6,7%, while in 2014, on account of the ongoing recession, it is expected to decline by a further 3,2%. With regard to the unemployment rate as defined by the LFS, it is expected that this will exceed 15% in 2013, thus reaching a new record high, with the exception of the period following the Turkish invasion, while in 2014 it is expected to increase even further. The new forecasts for employment and unemployment are significantly more negative than previously forecast as a result of the downward revision of the GDP projections.

In 2013 productivity is expected to decline significantly by 2,1%, compared with an annual increase of 0,9% over the previous year, as a result of the proportionately greater decrease in output relative to the expected reduction in employment. The negative productivity developments projected for 2013 are expected to moderate in 2014, with the decline in productivity expected to reach 0,7%. The growth rate of compensation per employee is expected to decline by 9,6% in 2013 and by 3,3% in 2014. Developments in compensation per employee are associated with the

expected deterioration of the economic environment and reflect the expected trend in compensation per employee in both the private and public sectors. Compensation per employee in the public sector is projected to be significantly affected, owing to the fact that since December 2012, gross emoluments of public employees are subject to tiered cuts – which will be further strengthened as of June 2013 – and to additional horizontal cuts of 3% imposed as of January 2014. In connection with the above, unit labour costs are expected to record annual declines of around 7,7% and 2,6% in 2013 and 2014, respectively.

### National accounts

Real GDP (**Table A.12**) growth for Cyprus is expected to decline significantly by 8,7% in 2013, while a further contraction of 3,9% is expected in 2014.

Private consumption is expected to shrink by 11,9% and 5,6% in 2013 and 2014, respectively, following a contraction of around 3% in 2012, owing to the reduction in disposable income and the correction of household balance sheets. Although economic indicators are not yet available for the period following the end of February 2013, the picture that emerges from the indicators available points to a major recession. For example, retail sales recorded a decline of 8,5% in January-February 2013 compared with the same period in 2012. This indicator is expected to show greater reductions in the coming months owing to the extended bank holiday in March and the consequent reduction in consumer and business confidence. Meanwhile, car registrations continue to record reductions for the fourth year running, with an acceleration in reductions in 2013 to 36,8% in the period January-April, compared with the same period in 2012. At the same time, Cypriots' credit card spending within the Republic recorded a decrease of 10,8% in the first

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

	2012	2013f	2014f
<b>GDP</b>			
June Projections 2013	-2,4	-8,7	-3,9
December Projections 2012	-2,4	-3,5	-1,3
<b>Private consumption</b>			
June Projections 2013	-3,0	-11,9	-5,6
December Projections 2012	-4,8	-5,3	-2,1
<b>Public consumption</b>			
June Projections 2013	-1,7	-8,3	-3,7
December Projections 2012	-1,0	-11,2	-2,8
<b>Gross fixed capital formation</b>			
June Projections 2013	-23,0	-30,7	-11,6
December Projections 2012	-23,6	-12,1	-2,2
<b>Exports of goods and services</b>			
June Projections 2013	2,3	-5,0	-2,5
December Projections 2012	1,5	1,6	1,4
<b>Imports of goods and services</b>			
June Projections 2013	-7,2	-16,1	-6,5
December Projections 2012	-9,8	-6,4	-0,1

Sources: Cystat, CBC.



four months of 2013 compared with the same period in 2012. Additionally, public consumption is expected to shrink by 8,3% in 2013 owing to the fiscal consolidation measures, especially those related with the tiered cuts in salaries in the public and broader public sectors from December 2012, and is expected to shrink further by June 2013. A further contraction of 3,7% is expected for 2014, mainly on account of the additional measures relating to a further horizontal reduction of 3% of salaries in the public and broader public sectors, a reduction in benefits and a reduction in operating costs.

Gross fixed capital formation is expected to decrease significantly, by 30,7% 2013, while in 2014 it is expected to fall by around 11,6% as a result of the prevailing uncertainty and the credit crunch.

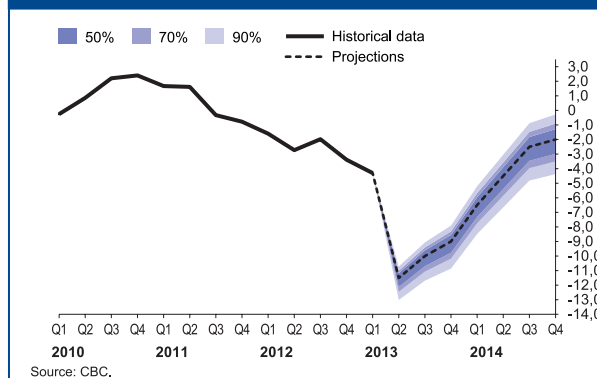
Total exports of goods and services are projected to fall by 5% and 2,5% in 2013 and 2014, respectively, despite the increased revenues expected from tourism. Imports of goods and services are expected to decrease significantly by 16,1% and 6,5% in 2013 and 2014, respectively, reflecting sluggish domestic demand. Consequently, a further improvement in the goods and services balance is expected.

### Risk assessment on macroeconomic forecast

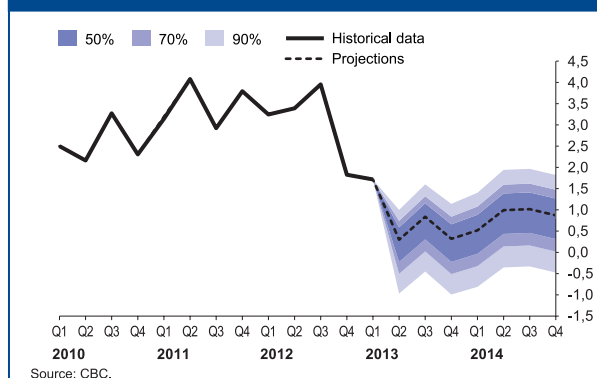
Forecasts for inflation and GDP, as reported above, are considered modal forecasts and as the most likely outcomes given the working assumptions of the Eurosystem. However, owing to the tentative nature of the assumptions, the projections are subject to uncertainty.

The probability of GDP, HICP inflation and HICP inflation excluding energy forecasts lying around their respective modal projections is depicted in **Charts A.45, A.46 and A.47** respectively. The three confidence intervals show the bands in which GDP, HICP inflation and HICP inflation excluding energy are expected to lie

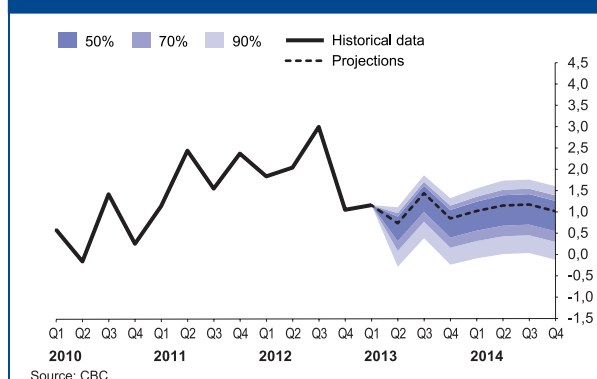
**CHART A.45 Real GDP fan chart**  
(annual change, %)



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



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



with a probability of 50%, 70% and 90%. For example, the darkest band includes the modal projection and covers 50% of the probability.

The probability distribution, which is based on both statistical methodology and expert judgment, can be either normal or two-piece normal with a degree of asymmetry around the modal projections. In particular, the skewed distribution is separated into two unequal parts, above and below the modal forecast. Moreover, the bands of the fan charts widen as the time horizon is extended, indicating the increasing uncertainty of outcomes in the longer term<sup>11</sup>.

Downward risks to the GDP forecast are expected to carry more weight. This could occur if the impact on economic activity and consumer and business confidence from the consolidation, restructuring and recapitalisation of the banking sector is more negative than expected. Specifically, the impact of the deposit haircut on economic activity and the impact of imposed controls on capital movements are uncertain, despite the gradual loosening of these controls. Additionally, lower than expected economic activity would lead to possible lower government revenue and result in the need for further fiscal consolidation measures other than those included in the MoU. For this reason it is important to end the uncertainty and for the banking sector to return to normal operation as soon as possible, so as to avoid a vicious cycle of negative developments. Some anecdotal evidence suggests that the Cyprus economy has shown remarkable flexibility in wages and prices, which is expected to lead to increased economic competitiveness and contribute significantly to the return to a sustainable growth path. Additionally, the macroeconomic projections have not taken into account the positive impact that the energy sector will have on GDP as a result of the possible discovery of natural gas.

With regard to the HICP, the most significant upside

11. The estimation of the confidence intervals of the skewed distribution is based on the methodology developed by the Bank of England and the Sveriges Riksbank.

risks relate to the possibility of further increases in indirect taxes and administered prices in order to address any gaps in the achievement of the required fiscal adjustment, the likelihood of higher oil prices and/or the depreciation of the euro against the dollar, as well as possible indirect and secondary effects of past increases in oil prices affecting inflation with a lag.

The most significant downside risks to inflation relate to the possibility of a more severe and prolonged recession, a further contraction of real disposable income and employment in the aftermath of the Eurogroup decisions on Cyprus and in the context of the implementation of the MoU, as well as to a possible deterioration of the external demand for services. In addition, significant risks emanate from the possibility of a further worsening of credit supply conditions and restrictions on capital movement. Finally, downside risks relate to the eventuality of further decreases in property prices.

These risks indicate that a downward deviation from the modal forecast of the HICP and the HICP excluding energy has a greater statistical probability of being realised.



SECTION B

**Statistical Annex**

## Explanatory notes for Statistical Annex

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

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

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

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

percentage change in prices of services, respectively.

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

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

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

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

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

as the sales of cement.

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

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

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

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

	USD/EUR	GBP/EUR	JPY/EUR
Average for January	1,3302	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 (until 17 May)	1,3016	0,8451	130,7215
Average for Jan-May (until 17 May)	1,3138	0,8496	124,0783
Closing rate on 31/12/2012	1,3193	0,8119	114,4600
Closing rate on 17/05/2013	1,2839	0,8461	132,5100
Highest exchange rate vs. the euro	1,3640	0,8747	132,5100
	(1 Feb)	(11 Mar)	(17 May)
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 17/05/2013	-2,7%	4,2%	15,8%

Source: Bloomberg

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

	2010	2011	2012	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12	Weights	
										2005=100 (for 2008- 2010)	2005=100 (for 2011- 2013)
<b>GENERAL INDEX</b>	<b>2,43</b>	<b>3,29</b>	<b>2,39</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>	<b>100,00</b>	<b>100,00</b>
<b>A DOMESTIC PRODUCTS</b>	<b>3,01</b>	<b>11,04</b>	<b>6,70</b>	<b>8,41</b>	<b>1,66</b>	<b>-0,37</b>	<b>9,14</b>	<b>2,05</b>	<b>1,45</b>	<b>28,98</b>	<b>20,52</b>
A.1 Agricultural	-0,01	-1,57	-1,29	-1,47	-0,84	-0,80	3,05	-3,05	-2,50	6,93	5,96
A.2 Industrial	1,36	12,54	3,39	4,09	1,94	1,76	3,31	3,27	2,89	19,29	11,37
A.3 Electricity	22,23	14,86	27,23	36,31	4,04	-4,64	36,72	5,59	2,92	2,76	3,19
<b>B PETROLEUM PRODUCTS</b>	<b>19,39</b>	<b>19,25</b>	<b>7,94</b>	<b>11,25</b>	<b>4,04</b>	<b>0,40</b>	<b>9,70</b>	<b>7,14</b>	<b>5,37</b>	<b>6,63</b>	<b>5,50</b>
<b>C IMPORTED PRODUCTS</b>	<b>-0,93</b>	<b>2,77</b>	<b>-0,55</b>	<b>-0,47</b>	<b>0,27</b>	<b>-1,33</b>	<b>-0,26</b>	<b>0,81</b>	<b>0,26</b>	<b>24,62</b>	<b>31,74</b>
C1 Motor vehicles	-4,19	-0,63	-0,64	-1,08	-0,32	-0,32	-1,52	0,34	0,17	5,41	6,48
C2 Other imported products	-0,13	3,16	-0,54	-0,35	0,39	-1,53	0,01	0,91	0,28	19,21	25,26
<b>D SERVICES</b>	<b>1,24</b>	<b>1,61</b>	<b>0,96</b>	<b>1,13</b>	<b>0,68</b>	<b>0,25</b>	<b>1,04</b>	<b>0,66</b>	<b>0,56</b>	<b>39,77</b>	<b>42,24</b>
<b>HICP</b>	<b>0,2</b>	<b>3,5</b>	<b>3,1</b>	<b>3,6</b>	<b>1,3</b>	<b>0,1</b>	<b>3,3</b>	<b>1,7</b>	<b>1,3</b>		

Source: Cystat.



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

	2010	2011	2012	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12	Weights	
										2005=100 (for 2008- 2010)	2005=100 (for 2011- 2013)
<b>GENERAL INDEX</b>	<b>2,43</b>	<b>3,29</b>	<b>2,39</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>	<b>100,00</b>	<b>100,00</b>
<b>A DOMESTIC PRODUCTS</b>	<b>0,93</b>	<b>2,43</b>	<b>1,58</b>	<b>1,95</b>	<b>0,41</b>	<b>-0,09</b>	<b>2,13</b>	<b>0,51</b>	<b>0,36</b>	<b>28,98</b>	<b>20,52</b>
A.1 Agricultural	0,00	-0,11	-0,09	-0,10	-0,06	-0,05	0,20	-0,21	-0,17	6,93	5,96
A.2 Industrial	0,27	1,44	0,42	0,51	0,24	0,22	0,41	0,41	0,36	19,29	11,37
A.3 Electricity	0,66	0,61	1,24	1,54	0,22	-0,26	1,51	0,30	0,16	2,76	3,19
<b>B PETROLEUM PRODUCTS</b>	<b>1,19</b>	<b>1,14</b>	<b>0,54</b>	<b>0,78</b>	<b>0,30</b>	<b>0,03</b>	<b>0,66</b>	<b>0,51</b>	<b>0,39</b>	<b>6,63</b>	<b>5,50</b>
<b>C IMPORTED PRODUCTS</b>	<b>-0,20</b>	<b>0,74</b>	<b>-0,15</b>	<b>-0,13</b>	<b>0,07</b>	<b>-0,35</b>	<b>-0,07</b>	<b>0,21</b>	<b>0,07</b>	<b>24,62</b>	<b>31,74</b>
C1 Motor vehicles	-0,18	-0,03	-0,03	-0,05	-0,01	-0,01	-0,07	0,02	0,01	5,41	6,48
C2 Other imported products	-0,02	0,88	-0,15	-0,08	0,08	-0,33	0,00	0,24	0,07	19,21	25,26
<b>D SERVICES</b>	<b>0,51</b>	<b>0,70</b>	<b>0,41</b>	<b>0,48</b>	<b>0,29</b>	<b>0,11</b>	<b>0,45</b>	<b>0,28</b>	<b>0,24</b>	<b>39,77</b>	<b>42,24</b>

Source: Cystat.

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

	2010	2011	2012	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12
<b>GENERAL INDEX</b>	<b>2,43</b>	<b>3,29</b>	<b>2,39</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>
Food and non-alcoholic beverages	0,24	4,07	0,82	1,33	0,62	0,50	2,89	0,16	0,24
Alcoholic beverages and tobacco	1,39	11,13	3,19	4,85	8,30	8,11	3,19	10,38	9,80
Clothing and footwear	-0,64	-0,49	-2,75	-2,39	-1,45	-6,89	-1,30	-1,76	-3,17
Housing, water, electricity and gas	7,62	10,43	11,33	13,68	1,61	-1,97	13,26	3,28	1,94
Furnishings, household equipment and supplies	0,21	2,46	0,08	1,28	-0,68	-0,74	1,14	-0,09	-0,25
Health	2,95	2,75	0,56	0,92	-0,74	-1,76	1,06	-0,64	-0,92
Transport	3,64	2,95	3,08	3,54	3,21	1,01	2,36	4,45	3,57
Communications	-0,04	0,45	1,08	1,26	0,62	0,57	0,48	1,54	1,29
Recreation and culture	-0,01	1,79	0,65	0,61	0,82	0,62	0,39	1,03	0,93
Education	4,69	3,18	2,41	3,05	0,80	0,67	3,05	0,80	0,77
Restaurants and hotels	2,04	1,48	1,06	1,75	0,66	0,64	1,82	0,70	0,68
Miscellaneous goods and services	2,12	-1,13	0,35	0,24	1,33	1,13	0,40	1,13	1,13

Source: Cystat.

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

	2010	2011	2012	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12
<b>GENERAL INDEX</b>	<b>2,43</b>	<b>3,29</b>	<b>2,39</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>
Food and non-alcoholic beverages	0,05	0,71	0,82	0,23	0,11	0,09	0,51	0,03	0,04
Alcoholic beverages and tobacco	0,03	0,22	3,19	0,10	0,18	0,18	0,07	0,22	0,21
Clothing and footwear	-0,05	-0,03	-2,75	-0,17	-0,09	-0,47	-0,08	-0,10	-0,19
Housing, water, electricity and gas	1,23	1,35	11,33	1,88	0,24	-0,30	1,79	0,49	0,29
Furnishings, household equipment and supplies	0,01	0,17	0,08	0,09	-0,05	-0,05	0,08	-0,01	-0,02
Health	0,16	0,20	0,56	0,07	-0,05	-0,12	0,08	-0,05	-0,06
Transport	0,49	0,40	3,08	0,50	0,45	0,14	0,33	0,61	0,49
Communications	0,00	0,02	1,08	0,05	0,02	0,02	0,02	0,06	0,05
Recreation and culture	0,00	0,11	0,65	0,04	0,05	0,04	0,02	0,06	0,05
Education	0,15	0,13	2,41	0,13	0,03	0,03	0,13	0,03	0,03
Restaurants and hotels	0,17	0,13	1,06	0,16	0,06	0,06	0,16	0,06	0,06
Miscellaneous goods and services	0,15	-0,10	0,35	0,02	0,11	0,09	0,03	0,09	0,09

Source: Cystat.

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

	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12
<b>GENERAL INDEX</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>
Rents	0,37	-3,17	-4,72	0,26	-3,26	-3,63
Maintenance of houses	-0,72	-0,05	-0,09	-0,69	-0,08	-0,09
Transport	-3,91	5,58	3,34	-4,16	4,22	4,00
Communications	1,69	0,86	0,84	0,85	1,87	1,61
Insurance	-0,12	3,61	3,61	-0,12	2,39	2,70
Public services	1,56	2,68	2,68	1,66	3,06	2,97
Education	3,05	0,80	0,67	3,05	0,80	0,77
Medical care	1,05	-0,63	-1,97	1,22	-0,61	-0,95
Restaurants and coffee shops	1,78	0,68	0,58	1,75	0,74	0,70
Personal and household services	2,01	0,53	0,61	1,90	0,63	0,62
<b>Total services</b>	<b>1,10</b>	<b>0,68</b>	<b>0,25</b>	<b>1,04</b>	<b>0,66</b>	<b>0,56</b>

Source: Cystat.

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

	April 2012/11	March 2013/12	April 2013/12	Jan.-Apr. 2012/11	Jan.-Mar. 2013/12	Jan.-Apr. 2013/12
<b>GENERAL INDEX</b>	<b>3,08</b>	<b>1,07</b>	<b>-0,30</b>	<b>3,17</b>	<b>1,51</b>	<b>1,05</b>
Rents	0,01	-0,10	-0,14	0,01	-0,10	-0,11
Maintenance of houses	-0,02	0,00	0,00	-0,02	0,00	0,00
Transport	-0,11	0,14	0,09	-0,11	0,11	0,10
Communications	0,06	0,03	0,03	0,03	0,07	0,06
Insurance	0,00	0,08	0,07	0,00	0,05	0,06
Public services	0,02	0,03	0,03	0,02	0,04	0,04
Education	0,13	0,03	0,03	0,13	0,03	0,03
Medical care	0,06	-0,03	-0,11	0,07	-0,03	-0,05
Restaurants and coffee shops	0,16	0,06	0,05	0,16	0,07	0,06
Personal and household services	0,18	0,05	0,05	0,17	0,06	0,06
<b>Total services</b>	<b>0,48</b>	<b>0,29</b>	<b>0,11</b>	<b>0,45</b>	<b>0,28</b>	<b>0,24</b>

Source: Cystat.

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

	2011 (prov.)			2012 (prov.)		
	Credit	Debit	Net	Credit	Debit	Net
<b>CURRENT ACCOUNT</b>	<b>10.296,0</b>	<b>11.144,9</b>	<b>-848,9</b>	<b>9.531,5</b>	<b>11.623,7</b>	<b>-2.092,3</b>
<b>GOODS, SERVICES AND INCOME</b>	<b>9.698,0</b>	<b>10.351,1</b>	<b>-653,1</b>	<b>8.991,2</b>	<b>10.899,8</b>	<b>-1.908,6</b>
<b>GOODS AND SERVICES</b>	<b>7.672,6</b>	<b>8.435,9</b>	<b>-763,3</b>	<b>7.606,9</b>	<b>8.056,0</b>	<b>-449,1</b>
<b>GOODS</b>	<b>1.411,0</b>	<b>5.759,7</b>	<b>-4.348,6</b>	<b>1.438,7</b>	<b>5.291,3</b>	<b>-3.852,6</b>
<b>SERVICES</b>	<b>6.261,5</b>	<b>2.676,2</b>	<b>3.585,3</b>	<b>6.168,2</b>	<b>2.764,7</b>	<b>3.403,5</b>
Transport	1.508,8	1.109,5	399,3	1.462,6	1.108,8	353,8
Travel	1.846,4	931,8	914,6	2.023,7	994,7	1.028,9
Communications services	43,6	90,7	-47,1	48,4	89,4	-41,0
Construction services	38,6	14,2	24,4	44,4	9,5	34,9
Insurance services	31,0	36,0	-5,0	28,3	30,9	-2,6
Financial services	658,5	111,1	547,4	504,6	132,0	372,5
Computer and information services	48,4	24,1	24,3	42,2	22,5	19,7
Royalties and licence fees	1,7	24,8	-23,2	1,5	26,7	-25,2
Other business services	1.921,3	218,2	1.703,1	1.905,8	269,8	1.636,0
Personal, cultural and recreational services	33,0	52,1	-19,0	23,9	42,6	-18,6
Government services, n.i.e.	130,1	63,7	66,5	82,9	37,8	45,1
Services not allocated	0,0	0,0	0,0	0,0	0,0	0,0
<b>INCOME</b>	<b>2.025,4</b>	<b>1.915,2</b>	<b>110,2</b>	<b>1.384,3</b>	<b>2.843,8</b>	<b>-1.459,5</b>
Compensation of employees	30,7	225,9	-195,2	27,9	256,9	-229,0
Investment income	1.994,8	1.689,3	305,4	1.356,4	2.586,9	-1.230,5
Direct investment income	-77,9	44,9	-122,8	-1.090,6	554,2	-1.644,8
Portfolio investment income	826,3	381,2	445,2	630,2	195,4	434,8
Other investment income	1.246,3	1.263,3	-16,9	1.816,8	1.837,3	-20,5
<b>CURRENT TRANSFERS</b>	<b>598,0</b>	<b>793,8</b>	<b>-195,8</b>	<b>540,3</b>	<b>724,0</b>	<b>-183,7</b>
General government	149,8	244,1	-94,3	132,8	190,3	-57,5
Other sectors	448,2	549,7	-101,5	407,5	533,7	-126,3
<b>CAPITAL AND FINANCIAL ACCOUNT</b>			<b>1.074,1</b>			<b>1.730,8</b>
Capital account	78,9	32,7	46,2	38,7	15,3	23,4
Financial account			1.027,9			1.707,4
Direct investment			378,8			2.161,8
Abroad			-608,3			1.501,3
In Cyprus			987,1			660,5
Portfolio investment			5.752,7			4.482,2
Assets			5.661,0			5.702,5
Liabilities			91,7			-1.220,3
Financial derivatives			-261,1			-571,7
Other investment			-4.885,2			-4.422,7
Assets			-2.801,7			-5.174,5
Liabilities			-2.083,5			751,9
Official reserve assets			42,7			57,8
<b>NET ERRORS AND OMISSIONS</b>			<b>-225,2</b>			<b>361,5</b>

Source: CBC.

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

	2011	2012	% change	2012 Jan.-Feb.	2013 Jan.-Feb.	% change
Imports	6.310,5	5.740,5	-9,0	877,5	798,7	-9,0
Consumer goods	1.935,7	1.864,5	-3,7	269,6	254,5	-5,6
Intermediate inputs	1.646,0	1.358,7	-17,5	215,9	209,4	-3,0
Capital goods	473,8	351,1	-25,9	55,4	49,7	-10,3
Transport equipment	610,6	413,0	-32,4	70,2	50,1	-28,6
Fuels and lubricants	1.579,5	1.728,6	9,4	260,5	234,0	-10,2
Exports	1.404,0	1.420,5	1,2	199,6	220,3	10,4
Trade deficit	4.906,5	4.320,0	-12,0	677,9	578,4	-14,7

Source: Cystat.

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

Economic activity	Net capital flows			
	2008	2009	2010	2011
MINING AND QUARRYING	C	C	0,0	0,0
MANUFACTURING	0,6	8,8	87,4	C
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	C	C	C	C
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,0	0,0	0,0	0,0
CONSTRUCTION	40,6	10,4	2,6	0,0
TOTAL SERVICES	921,7	2.480,0	393,4	1.084,0
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	55,0	685,3	15,5	420,0
TRANSPORTATION AND STORAGE	15,1	-6,4	-1,9	-1,0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	1,5	5,8	-1,0	-2,0
INFORMATION AND COMMUNICATION	8,4	46,1	9,7	-23,0
FINANCIAL AND INSURANCE ACTIVITIES	396,7	1.406,9	196,9	254,0
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	4,3	66,4	109,6	359,0
SCIENTIFIC RESEARCH AND DEVELOPMENT	C	C	C	C
ARTS, ENTERTAINMENT AND RECREATION	C	22,6	-4,6	C
<b>TOTAL</b>	<b>965,3</b>	<b>2.499,4</b>	<b>578,0</b>	<b>987,0</b>

Geographical / economic zone	Net capital flows			
	2008	2009	2010	2011
EUROPEAN COUNTRIES	733,9	1.977,1	-139,1	694,0
EU-25	306,6	1.388,8	117,5	138,0
EU-27	298,2	1.400,2	117,1	143,0
AFRICA	12,6	21,6	351,0	419,0
AMERICA	165,4	431,6	344,9	125,0
ASIA	48,9	66,1	19,5	-251,0
OCEANIA	4,4	2,9	1,7	1,0
<b>WORLD (ALL ENTITIES)</b>	<b>965,3</b>	<b>2.499,4</b>	<b>578,0</b>	<b>987,0</b>

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
MINING AND QUARRYING	0,0	0,0	0,0	0,0
MANUFACTURING	0,0	-1,0	-11,8	3,0
ELECTRICITY,GAS, STEAM AND AIR CONDITIONING SUPPLY	C	C	C	C
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,0	0,0	0,0	0,0
CONSTRUCTION	-100,0	-27,8	-3,3	C
TOTAL SERVICES	-1.755,6	-245,6	-498,5	-577,0
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	-135,1	-37,7	-521,7	58,0
TRANSPORTATION AND STORAGE	-2,1	-0,5	1,1	-8,0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	-18,7	-69,5	-16,6	-2,0
INFORMATION AND COMMUNICATION	4,1	-6,9	-29,0	23,0
FINANCIAL AND INSURANCE ACTIVITIES	-1.333,5	42,8	60,3	21,0
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	-42,9	-150,0	37,4	C
SCIENTIFIC RESEARCH AND DEVELOPMENT	C	C	C	0,0
ARTS, ENTERTAINMENT AND RECREATION	0,0	C	C	0,0
<b>TOTAL</b>	<b>-1.855,1</b>	<b>-275,6</b>	<b>-512,6</b>	<b>-608,0</b>

Geographical / economic zone	Net capital flows			
	2008	2009	2010	2011
EUROPEAN COUNTRIES	-1.322,9	-566,3	-277,4	421,0
EU-25	-13,5	-446,8	170,6	640,0
EU-27	-63,1	-518,3	177,8	629,0
AFRICA	-7,9	-43,4	-55,3	-469,0
AMERICA	-316,7	398,1	-156,0	-606,0
ASIA	-172,2	-31,4	-7,6	-23,0
OCEANIA	-35,3	-32,6	-15,7	C
<b>WORLD (ALL ENTITIES)</b>	<b>-1.855,1</b>	<b>-275,6</b>	<b>-512,6</b>	<b>-608,0</b>

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
<b>FINANCIAL ACCOUNT</b>			<b>-15.683</b>
<b>DIRECT INVESTMENT</b>			<b>-10.491</b>
<b>Abroad</b>			<b>5.397</b>
Equity capital and reinvested earnings			3.336
MFIs (excluding central banks)			C
Other sectors			S
Other Capital			2.060
MFIs (excluding central banks)			C
Other sectors			S
<b>In the reporting country</b>			<b>15.887</b>
Equity capital and reinvested earnings			13.859
MFIs (excluding central banks)			1.954
Other sectors			11.905
Other capital			2.028
MFIs (excluding central banks)			C
Other sectors			S
<b>PORTFOLIO INVESTMENT</b>	<b>18.143</b>	<b>3.472</b>	<b>14.671</b>
<b>Equity securities</b>	<b>1.438</b>	<b>1.004</b>	
Monetary authorities	0		
General government	0		
MFIs (excluding central banks)	C	278	
Other sectors	S	726	
<b>Debt securities</b>	<b>16.705</b>	<b>2.468</b>	
<b>Bonds and notes</b>	<b>16.444</b>	<b>2.412</b>	
Monetary authorities	1.829	0	
General government	0	2.095	
MFIs (excluding central banks)	12.043	172	
Other sectors	2.572	145	
<b>Money market instruments</b>	<b>261</b>	<b>56</b>	
Monetary authorities	0	0	
General government	0	0	
MFIs (excluding central banks)	256	36	
Other sectors	5	20	
<b>FINANCIAL DERIVATIVES</b>	<b>667</b>	<b>716</b>	<b>-49</b>
Monetary authorities	0	0	0
General government	0	0	0
MFIs (excluding central banks)	130	296	-165
Other sectors	537	420	117
<b>OTHER INVESTMENT</b>	<b>55.286</b>	<b>76.004</b>	<b>-20.718</b>
<b>Monetary authorities</b>	<b>977</b>	<b>7.494</b>	
Loans/currency and deposits	943	7.494	
Other assets/liabilities	34	0	
<b>General government</b>	<b>642</b>	<b>3.984</b>	
Trade credits	C	C	
Loans/currency and deposits	405	3.977	
Other assets/liabilities	S	S	
<b>MFIs (excluding central banks)</b>	<b>48.598</b>	<b>56.889</b>	
Loans/currency and deposits	48.464	56.857	
Other assets/liabilities	135	32	
<b>Other sectors</b>	<b>5.069</b>	<b>7.637</b>	
Trade credits	154	616	
Loans/currency and deposits	4.914	7.021	
Other assets/liabilities	0	0	
<b>RESERVE ASSETS</b>	<b>904</b>		

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
2009	January	47.066	-7,1	-7,1	31,2	-11,6	-11,6
	February	56.626	-19,3	-14,2	36,3	-10,7	-11,1
	March	90.434	-16,4	-15,2	57,4	-14,7	-12,8
	April	181.395	-0,4	-8,6	107,4	-0,3	-7,5
	May	246.546	-9,2	-8,9	158,1	-17,4	-11,7
	June	260.931	-15,1	-10,8	175,4	-23,6	-15,8
	July	304.126	-11,2	-10,9	232,5	-14,8	-15,5
	August	291.583	-11,1	-11,0	234,8	-15,5	-15,5
	September	276.178	-9,6	-10,7	200,2	-19,1	-16,1
	October	230.431	-14,0	-11,1	156,3	-21,3	-16,7
	November	89.670	-8,4	-11,0	61,0	-15,7	-16,7
	December	66.201	-8,2	-10,9	42,7	-17,2	-16,7
2010	January	45.952	-2,4	-2,4	29,7	-4,8	-4,8
	February	55.250	-2,4	-2,4	33,9	-6,6	-5,8
	March	103.803	14,8	5,6	65,6	14,3	3,4
	April	139.658	-23,0	-8,2	89,0	-17,1	-6,1
	May	258.014	4,7	-3,1	164,8	4,2	-1,9
	June	275.280	5,5	-0,6	195,3	11,3	2,2
	July	306.106	0,7	-0,3	231,1	-0,6	1,4
	August	304.264	4,3	0,7	241,1	2,7	1,7
	September	289.126	4,7	1,3	220,5	10,1	3,1
	October	241.698	4,9	1,7	175,5	12,3	4,1
	November	92.643	3,3	1,8	62,4	2,3	4,0
	December	61.199	-7,6	1,5	40,9	-4,2	3,8
2011	January	44.442	-3,3	-3,3	29,8	0,3	0,3
	February	62.294	12,7	5,5	36,9	8,8	4,9
	March	98.964	-4,7	0,3	66,4	1,2	3,0
	April	199.762	43,0	17,6	136,7	53,6	23,6
	May	267.487	3,7	11,7	187,1	13,5	19,3
	June	300.817	9,3	10,9	220,0	12,6	17,0
	July	359.104	17,3	12,6	274,4	18,7	17,5
	August	337.013	10,8	12,2	267,0	10,7	16,0
	September	304.260	5,2	11,1	235,8	6,9	14,4
	October	259.863	7,5	10,6	188,8	7,6	13,6
	November	92.878	0,3	10,2	64,8	3,8	13,2
	December	65.339	6,8	10,1	41,6	1,7	12,9
2012	January	47.610	7,1	7,1	30,0	0,7	0,7
	February	55.420	-11,0	-3,5	32,3	-12,5	-6,6
	March <sup>1</sup>	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 <sup>2,3</sup>	42.286	-11,2	2,8	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	n/a	n/a	n/a
	April	162.439	-14,3	-12,2	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: Cystat.

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

Year /Quarter		Gross domestic product	General government consumption	Private consumption	Gross capital formation	Exports of goods and services	Imports of goods and services
1997	Q1	2.335,2	388,2	1.574,2	607,9	851,9	1.087,0
	Q2	2.515,4	382,5	1.537,1	662,6	1.218,7	1.285,4
	Q3	2.558,1	383,3	1.521,5	382,8	1.530,4	1.259,9
	Q4	2.490,5	692,6	1.643,6	170,0	1.175,5	1.191,2
1998	Q1	2.415,3	434,8	1.690,4	559,2	902,0	1.171,1
	Q2	2.657,1	422,5	1.590,4	586,4	1.264,7	1.206,8
	Q3	2.707,7	462,0	1.601,4	375,7	1.530,2	1.261,5
	Q4	2.612,0	592,5	1.746,3	381,7	1.167,9	1.276,4
1999	Q1	2.529,9	459,5	1.746,8	524,2	905,9	1.106,4
	Q2	2.800,3	474,7	1.631,7	643,7	1.356,8	1.306,6
	Q3	2.815,4	479,0	1.618,1	275,6	1.726,6	1.283,9
	Q4	2.747,5	663,1	1.801,2	354,8	1.310,0	1.381,6
2000	Q1	2.685,5	419,9	1.861,7	602,2	1.044,5	1.242,8
	Q2	2.953,8	427,5	1.775,9	703,7	1.516,2	1.469,5
	Q3	2.956,4	480,5	1.730,7	311,3	1.876,9	1.442,9
	Q4	2.843,8	643,6	1.930,4	411,2	1.419,5	1.560,9
2001	Q1	2.786,7	459,5	2.040,0	549,2	1.106,4	1.368,5
	Q2	3.051,5	493,5	1.840,8	644,0	1.680,4	1.607,1
	Q3	3.115,6	526,4	1.674,7	524,8	1.991,1	1.601,3
	Q4	2.945,9	705,6	2.008,7	234,5	1.438,3	1.441,3
2002	Q1	2.849,8	513,1	2.005,2	682,0	1.017,3	1.367,8
	Q2	3.163,4	534,2	1.861,9	748,6	1.588,5	1.569,8
	Q3	3.118,2	566,0	1.793,7	430,0	1.870,8	1.542,3
	Q4	3.021,5	715,0	2.031,4	367,3	1.436,6	1.528,9
2003	Q1	2.906,0	539,0	2.026,0	782,3	931,2	1.372,4
	Q2	3.174,0	550,0	1.929,4	756,3	1.406,7	1.468,3
	Q3	3.174,1	561,3	1.822,0	395,9	1.963,2	1.568,4
	Q4	3.125,6	817,6	2.100,1	206,1	1.586,1	1.584,3
2004	Q1	3.019,7	503,6	2.135,9	648,6	1.221,7	1.490,0
	Q2	3.296,7	556,4	2.013,7	776,7	1.614,0	1.664,1
	Q3	3.309,5	568,1	2.009,7	469,6	1.918,3	1.656,2
	Q4	3.278,0	703,7	2.232,6	684,5	1.456,9	1.799,6
2005	Q1	3.162,2	505,5	2.231,2	785,6	1.251,5	1.611,6
	Q2	3.397,5	556,1	2.121,0	620,5	1.707,5	1.607,6
	Q3	3.439,3	518,3	2.036,9	565,8	2.048,0	1.729,7
	Q4	3.403,3	830,5	2.292,5	677,9	1.508,9	1.906,5
2006	Q1	3.295,3	563,5	2.314,7	804,6	1.370,6	1.758,1
	Q2	3.554,2	618,5	2.215,1	735,1	1.800,4	1.814,9
	Q3	3.565,3	593,2	2.147,7	474,8	2.198,8	1.849,3
	Q4	3.540,7	805,0	2.409,7	845,3	1.378,5	1.897,8
2007	Q1	3.445,9	577,2	2.486,9	898,9	1.354,8	1.871,9
	Q2	3.718,3	569,6	2.397,7	1.028,0	1.746,3	2.023,2
	Q3	3.759,3	614,9	2.372,6	558,3	2.378,7	2.165,2
	Q4	3.742,8	850,8	2.759,1	687,8	1.683,9	2.238,9
2008	Q1	3.615,6	567,8	2.728,2	1.077,0	1.418,0	2.175,5
	Q2	3.869,3	588,3	2.639,7	1.090,6	1.751,3	2.200,6
	Q3	3.888,7	745,9	2.635,3	794,6	2.234,8	2.522,0
	Q4	3.818,6	868,7	2.795,0	541,0	1.722,9	2.108,9
2009	Q1	3.638,8	619,4	2.560,8	842,9	1.440,8	1.825,1
	Q2	3.787,6	611,8	2.434,7	913,4	1.584,9	1.757,2
	Q3	3.781,6	640,7	2.406,1	882,9	1.795,3	1.943,5
	Q4	3.702,1	1.088,1	2.582,1	295,1	1.545,0	1.808,1
2010	Q1	3.629,6	652,2	2.530,0	857,3	1.395,4	1.805,4
	Q2	3.820,2	644,0	2.460,4	935,5	1.621,7	1.841,4
	Q3	3.864,9	654,2	2.448,9	947,0	1.792,0	1.977,2
	Q4	3.791,0	1.039,7	2.695,9	316,9	1.799,7	2.061,3
2011	Q1	3.690,1	634,2	2.622,1	960,7	1.381,5	1.908,3
	Q2	3.881,8	654,1	2.457,2	905,2	1.775,9	1.910,5
	Q3	3.852,5	698,3	2.432,4	787,2	1.918,5	1.983,9
	Q4	3.761,5	996,1	2.677,0	91,1	1.824,6	1.827,3
2012	Q1	3.631,3	642,2	2.593,9	709,5	1.380,1	1.694,4
	Q2	3.775,9	642,3	2.389,5	723,8	1.832,3	1.811,9
	Q3	3.776,3	650,4	2.339,3	654,4	2.021,2	1.889,0
	Q4	3.634,3	998,5	2.561,3	-68,3	1.827,8	1.685,0

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	1.779,0	273,0	1.247,2	476,7	716,4	934,3
	Q2	1.963,7	270,4	1.247,5	529,7	1.027,2	1.111,1
	Q3	2.006,4	275,7	1.246,6	283,0	1.299,4	1.098,3
	Q4	1.984,6	499,9	1.342,0	177,7	1.005,1	1.040,1
1998	Q1	1.890,4	316,2	1.360,8	447,0	781,6	1.015,2
	Q2	2.134,1	308,0	1.316,3	475,7	1.090,3	1.056,1
	Q3	2.199,5	337,9	1.338,5	301,8	1.321,5	1.100,2
	Q4	2.143,1	434,3	1.454,4	356,5	1.011,5	1.113,6
1999	Q1	2.051,2	342,5	1.445,6	441,1	790,4	968,4
	Q2	2.312,4	357,5	1.381,3	536,6	1.193,6	1.156,6
	Q3	2.336,3	360,8	1.383,1	213,1	1.530,2	1.150,9
	Q4	2.307,4	508,8	1.546,8	332,1	1.175,7	1.256,0
2000	Q1	2.242,3	327,6	1.596,3	509,3	959,0	1.149,9
	Q2	2.510,9	337,4	1.550,1	592,1	1.412,9	1.381,6
	Q3	2.525,7	388,7	1.498,4	250,2	1.756,5	1.368,0
	Q4	2.477,2	524,5	1.705,9	389,3	1.346,2	1.488,7
2001	Q1	2.408,1	381,5	1.800,4	459,8	1.063,0	1.296,6
	Q2	2.724,8	410,6	1.656,7	572,9	1.615,9	1.531,3
	Q3	2.766,8	436,8	1.491,8	462,4	1.900,2	1.524,4
	Q4	2.647,8	584,6	1.836,9	230,4	1.375,0	1.379,0
2002	Q1	2.514,7	431,5	1.805,9	611,6	972,9	1.307,1
	Q2	2.804,4	449,6	1.704,9	657,1	1.502,9	1.510,1
	Q3	2.797,2	483,3	1.646,6	380,4	1.759,7	1.472,8
	Q4	2.775,7	620,3	1.897,8	370,8	1.341,9	1.455,1
2003	Q1	2.678,4	490,1	1.909,5	704,0	872,3	1.297,5
	Q2	2.990,5	507,8	1.838,3	720,4	1.311,3	1.387,3
	Q3	2.983,3	530,2	1.709,2	382,9	1.843,1	1.482,1
	Q4	2.978,2	779,3	2.026,5	173,3	1.503,3	1.504,2
2004	Q1	2.879,7	479,6	2.028,9	609,7	1.169,8	1.408,3
	Q2	3.170,4	531,7	1.933,9	729,7	1.564,8	1.589,7
	Q3	3.221,0	545,7	1.933,1	461,1	1.881,0	1.600,0
	Q4	3.251,3	683,1	2.216,2	675,6	1.438,6	1.762,1
2005	Q1	3.115,7	503,0	2.185,4	761,9	1.243,3	1.577,9
	Q2	3.375,8	555,6	2.114,2	608,7	1.702,3	1.605,0
	Q3	3.443,3	517,9	2.037,7	572,7	2.046,2	1.731,3
	Q4	3.467,4	833,9	2.344,2	706,5	1.524,2	1.941,3
2006	Q1	3.348,3	579,5	2.334,7	818,8	1.396,1	1.780,8
	Q2	3.661,6	634,5	2.281,6	761,5	1.845,1	1.861,1
	Q3	3.698,0	612,0	2.216,7	494,7	2.264,0	1.889,4
	Q4	3.724,5	830,7	2.509,8	893,2	1.438,6	1.947,8
2007	Q1	3.631,5	607,5	2.565,9	938,8	1.427,1	1.907,8
	Q2	3.996,2	601,6	2.545,5	1.093,8	1.850,8	2.095,5
	Q3	4.091,6	651,8	2.536,4	608,4	2.538,9	2.243,9
	Q4	4.110,4	902,3	2.989,3	776,9	1.816,1	2.374,3
2008	Q1	4.015,8	627,2	2.946,7	1.192,8	1.569,6	2.320,5
	Q2	4.372,4	649,4	2.938,7	1.248,1	1.937,1	2.400,9
	Q3	4.415,5	836,4	2.962,5	894,4	2.474,1	2.751,9
	Q4	4.353,2	973,8	3.128,1	667,1	1.882,2	2.297,9
2009	Q1	4.061,3	717,6	2.795,1	942,2	1.557,7	1.951,2
	Q2	4.288,1	713,2	2.739,8	1.009,7	1.722,1	1.896,8
	Q3	4.259,4	733,4	2.696,2	958,6	1.937,2	2.065,9
	Q4	4.244,5	1.228,7	2.922,9	351,5	1.666,0	1.924,6
2010	Q1	4.130,6	754,4	2.826,9	953,5	1.530,5	1.934,8
	Q2	4.382,9	748,5	2.810,0	1.067,5	1.789,9	2.033,0
	Q3	4.461,1	768,5	2.817,1	1.081,6	1.951,9	2.158,0
	Q4	4.431,2	1.211,1	3.107,0	343,3	2.031,0	2.261,2
2011	Q1	4.278,6	758,7	3.009,4	1.058,4	1.570,2	2.118,1
	Q2	4.597,2	786,0	2.917,1	1.065,6	1.988,8	2.160,3
	Q3	4.585,5	850,7	2.895,4	923,1	2.134,3	2.218,0
	Q4	4.518,1	1.209,6	3.192,0	91,7	2.090,7	2.065,9
2012	Q1	4.290,9	786,2	3.058,7	765,5	1.604,7	1.924,2
	Q2	4.573,3	788,1	2.918,3	865,0	2.102,8	2.100,9
	Q3	4.614,1	798,0	2.866,1	813,4	2.301,7	2.165,1
	Q4	4.408,2	1.215,6	3.105,0	-103,4	2.127,6	1.936,6

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	
2009	January	111,2	123,9	2,7	1,3
	February	102,9	120,9	-5,2	0,2
	March	103,4	117,4	-5,8	-2,0
	April	115,8	116,6	-2,1	-2,8
	May	114,2	116,9	-7,0	-3,0
	June	117,7	110,9	-2,9	-3,4
	July	132,7	114,5	-2,6	-4,2
	August	116,6	116,7	-3,5	-3,9
	September	116,7	119,0	-6,2	-4,0
	October	116,4	119,1	-3,6	-4,3
	November	108,3	118,1	-4,0	-3,8
	December	148,7	123,2	-3,2	-3,8
2010	January	104,2	118,5	-6,3	-4,4
	February	98,4	115,5	-4,4	-4,5
	March	115,7	115,3	11,9	-1,8
	April	107,8	113,9	-6,9	-2,4
	May	113,4	114,7	-0,7	-1,8
	June	118,6	109,7	0,8	-1,1
	July	134,8	114,8	1,6	0,3
	August	118,3	118,1	1,5	1,2
	September	116,7	118,3	0,0	-0,6
	October	114,0	119,3	-2,1	0,2
	November	112,6	119,2	4,0	0,9
	December	154,2	125,1	3,7	1,5
2011	January	106,3	120,4	2,0	1,6
	February	100,6	117,4	2,2	1,7
	March	107,9	115,9	-6,7	0,6
	April	114,4	116,0	6,1	1,9
	May	113,5	116,2	0,1	1,3
	June	119,7	110,4	0,9	0,7
	July	130,5	114,4	-3,2	-0,3
	August	119,4	117,6	0,9	-0,5
	September	118,0	119,3	1,1	0,8
	October	113,5	119,1	-0,4	-0,2
	November	109,7	118,5	-2,6	-0,6
	December	144,0	122,5	-6,6	-2,1
2012	January	105,0	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**	98,9	113,0	-5,8	-4,5
	February*	90,0	108,4	-11,2	-5,9
Percentage change by category		February 2012/2011	February 2013/2012	Jan.-Feb. 2012/2011	Jan.-Feb. 2013/2012
General index		0,8	-11,2	-0,2	-8,5
General index excluding automotive fuel		1,0	-9,8	-0,5	-7,1
Non-specialised stores with food, beverages or tobacco predominating		7,5	7,8	6,3	9,1
Other retail sale in non-specialised stores		-7,6	-33,6	-8,0	-30,5
Food, beverages and tobacco in specialised stores		0,0	15,6	-3,5	17,5
Food products		6,5	8,7	5,0	10,1
Non food products (except automotive fuel)		-2,3	-22,1	-3,7	-18,0
Textiles, clothing and footwear		-12,0	-6,8	-7,6	-9,7
Electrical goods and furniture		11,8	-34,1	4,7	-25,9
Computer equipment, books and other		-3,9	-15,1	-2,9	-11,4
Automotive fuel in specialised stores		-1,5	-20,5	1,8	-18,4

Source: Cystat.

\* Provisional.

\*\* Revised data.

TABLE B.17 Construction indicators

Year /	Month	Sales of cement (volume)			Building permits authorised (volume)		
		Total (m.ton)	% change		Area (sq.met)	% change	
			Previous year	6-month moving average		Previous year	6-month moving average
2009	January	120.871	-22,81	-3,79	278.876	11,63	17,57
	February	122.367	-29,47	-7,78	273.892	-8,45	15,20
	March	123.823	-29,63	-14,79	255.578	-13,64	9,86
	April	117.392	-28,65	-20,00	234.397	-20,87	3,03
	May	132.204	-26,15	-23,44	254.844	-13,09	-5,44
	June	137.449	-20,39	-26,23	359.744	15,02	-5,14
	July	151.742	-24,48	-26,40	295.814	-10,18	-8,34
	August	48.329	-30,90	-26,18	176.594	-6,29	-8,10
	September	126.657	-24,63	-25,27	276.027	-18,61	-9,19
	October	128.881	-27,94	-25,19	203.278	-45,74	-14,76
	November	122.260	-25,73	-25,10	263.849	-31,01	-18,24
	December	107.190	-21,00	-25,38	263.566	-19,63	-23,83
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	n/a	n/a	n/a
	April	51.629	-24,41	-28,04	n/a	n/a	n/a

Source: Cystat.

TABLE B.18 Volume index of manufacturing production

		Index		% change		
Year /	Month	Monthly	Cumulative	Previous year	6 - month moving average	Cumulative period
2009	January	88,30	88,30	-9,06	-0,15	-9,06
	February	91,80	90,05	-9,02	-1,05	-9,04
	March	95,30	91,80	-10,68	-3,86	-9,62
	April	94,20	92,40	-12,62	-6,47	-10,40
	May	101,60	94,24	-14,48	-8,92	-11,31
	June	105,50	96,12	-9,98	-11,07	-11,07
	July	115,40	98,87	-9,70	-11,10	-10,85
	August	63,20	94,41	-11,24	-11,44	-10,88
	September	102,40	95,30	-10,80	-11,45	-10,87
	October	99,10	95,68	-13,53	-11,62	-11,15
	November	100,30	96,10	-10,21	-10,86	-11,06
	December	98,90	96,33	-12,56	-11,31	-11,19
2010	January	80,50	80,50	-8,83	-11,29	-8,83
	February	83,80	82,15	-8,71	-10,93	-8,77
	March	100,50	88,27	5,46	-8,41	-3,85
	April	87,60	88,10	-7,01	-7,20	-4,65
	May	99,40	90,36	-2,17	-5,75	-4,12
	June	104,40	92,70	-1,04	-3,55	-3,55
	July	108,30	94,93	-6,15	-3,28	-3,99
	August	63,30	90,98	0,16	-2,03	-3,64
	September	100,30	92,01	-2,05	-3,26	-3,45
	October	93,30	92,14	-5,85	-3,10	-3,70
	November	98,30	92,70	-1,99	-3,07	-3,54
	December	98,40	93,18	-0,51	-3,00	-3,28
2011	January	74,80	74,80	-7,08	-2,94	-6,83
	February	82,90	78,85	-1,07	-3,01	-4,02
	March	91,80	83,17	-8,66	-4,19	-5,78
	April	82,50	83,00	-5,82	-4,15	-5,79
	May	97,60	85,92	-1,81	-4,12	-4,91
	June	96,60	87,70	-7,47	-5,39	-5,39
	July	93,90	88,59	-13,30	-6,63	-6,68
	August	60,40	85,06	-4,58	-7,22	-6,50
	September	90,90	85,71	-9,37	-7,35	-6,85
	October	85,40	85,68	-8,47	-7,77	-7,01
	November	86,40	85,75	-12,11	-9,56	-7,50
	December	84,60	85,65	-14,02	-10,73	-8,08
2012	January	67,70	67,70	-9,49	-10,03	-9,49
	February	76,20	71,95	-8,08	-10,36	-8,75
	March	77,50	73,80	-15,58	-11,44	-11,26
	April	75,30	74,18	-8,73	-11,54	-10,63
	May	88,00	76,94	-9,84	-11,12	-10,45
	June	84,40	78,18	-12,63	-10,85	-10,85
	July	86,70	79,40	-7,67	-10,49	-10,37
	August	57,60	76,68	-4,64	-10,20	-9,86
	September	76,60	76,67	-15,73	-10,21	-10,55
	October	79,10	76,91	-7,38	-9,98	-10,24
	November	78,00	77,01	-9,72	-9,97	-10,19
	December	70,20	76,44	-17,02	-10,65	-10,75
2013	January	64,70	64,70	-4,43	-10,35	-4,43
	February	65,60	65,15	-13,91	-11,60	-9,45
Percentage change by category			February 2012/2011	February 2013/2012	Jan.-Feb. 2012/2011	Jan.-Feb. 2013/2012
General index			-8,1	-13,9	-8,8	-9,5
Manufacture of food products, beverages and tobacco products			-4,3	-9,4	-4,1	-5,4
Manufacture of textiles, wearing apparel and leather products			-12,8	-30,8	-23,8	-27,5
Manufacture of wood and products of wood and cork, except furniture			7,7	-27,7	1,0	-27,4
Manufacture of paper products and printing			-12,7	-6,1	-9,9	-1,0
Manufacture of refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations			4,7	11,2	4,3	17,7
Manufacture of rubber and plastic products			-14,8	-9,5	-16,2	-4,9
Manufacture of other non-metallic mineral products			-29,0	-22,1	-27,1	-20,6
Manufacture of basic metals and fabricated metal products			-8,7	-29,6	-10,7	-24,1
Manufacture of electronic and optical products and electrical equipment			-40,5	-36,4	-41,9	-23,9
Manufacture of machinery			6,2	-24,8	0,9	-19,6
Manufacture of motor vehicles and other transport equipment			11,2	-4,7	-1,4	-5,0
Manufacture of furniture, other manufacturing and repair and installation of machinery and equipment			6,6	-26,9	0,3	-23,1

Source: Cystat.

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

	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Labour force</b>	<b>431.975</b>	<b>433.522</b>	<b>429.257</b>	<b>433.907</b>	<b>434.236</b>	<b>439.954</b>	<b>442.483</b>	<b>445.744</b>
<b>Employed</b>	<b>399.639</b>	<b>402.158</b>	<b>395.938</b>	<b>395.122</b>	<b>386.069</b>	<b>390.213</b>	<b>389.046</b>	<b>389.094</b>
By type of employment:								
Full time	356.357	361.575	357.935	354.355	343.664	349.443	351.162	343.471
Part time	43.282	40.582	38.003	40.767	42.405	40.769	37.884	45.623
By sector of employment:								
Primary sector	17.009	16.051	18.486	13.073	11.420	10.905	10.953	11.997
Secondary sector	83.767	83.451	83.589	82.067	80.012	78.366	77.610	77.522
Tertiary sector	298.863	302.656	297.503	299.982	294.637	300.942	300.483	299.575
Employees	325.751	329.526	325.479	326.224	319.173	326.697	326.980	323.530
<b>Unemployed</b>	<b>32.336</b>	<b>31.365</b>	<b>33.319</b>	<b>38.785</b>	<b>48.166</b>	<b>49.742</b>	<b>53.437</b>	<b>56.650</b>
By unemployment duration:								
Less than 12 months	26.775	26.073	25.462	28.894	36.363	35.593	36.258	37.182
12 months and above	5.562	5.293	7.856	9.531	11.803	14.149	17.180	19.466
<b>Activity rate (% of the population)</b>								
<b>Total</b>	<b>64,4</b>	<b>64,1</b>	<b>63,2</b>	<b>63,2</b>	<b>63,2</b>	<b>63,3</b>	<b>63,5</b>	<b>63,6</b>
Male	71,4	71,1	70,4	70,0	70,2	70,5	71,0	70,8
Female	58,1	57,9	56,7	57,1	56,9	56,9	56,8	57,2
<b>Employment (% of the population)</b>								
<b>Total</b>	<b>59,6</b>	<b>59,5</b>	<b>58,3</b>	<b>57,6</b>	<b>56,2</b>	<b>56,2</b>	<b>55,8</b>	<b>55,5</b>
Male	66,1	65,8	65,0	63,2	61,7	62,0	62,3	61,5
Female	53,7	53,8	52,2	52,5	51,3	51,0	50,1	50,2
<b>Unemployment (% of the labour force)</b>								
<b>Total</b>	<b>7,5</b>	<b>7,2</b>	<b>7,8</b>	<b>8,9</b>	<b>11,1</b>	<b>11,3</b>	<b>12,1</b>	<b>12,7</b>
Male	7,4	7,5	7,6	9,8	12,2	12,1	12,3	13,2
Female	7,6	7,0	7,9	8,0	9,8	10,4	11,8	12,2

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.





