



**CENTRAL BANK OF CYPRUS**  
**ECONOMIC RESEARCH DEPARTMENT**

**MONETARY**  
**POLICY**  
**REPORT**

**APRIL 2004**



**CENTRAL BANK OF CYPRUS**  
**ECONOMIC RESEARCH DEPARTMENT**

**MONETARY**  
**POLICY**  
**REPORT**

**APRIL 2004**

The Monetary Policy Report (MPR), which is drafted by the Central Bank's Economic Research Department in preparation for the meetings of the Monetary Policy Committee (MPC), contains an overview of current economic developments in Cyprus. The MPR appears about eight times a year. Of these eight issues, four (March, May, September and December) are more extensive and comprehensive than the others.

The Greek version of the MPR as well as the English version of the statistical tables are available on the Bank's website on the same day as the MPC meeting. The entire English version of the MPR is posted on the Bank's website during the following month. The English edition of the more extensive version is also available in printed form.

**CENTRAL BANK OF CYPRUS, 2004  
ECONOMIC RESEARCH DEPARTMENT**

**Address:**

80 Kennedy Avenue  
1076 Nicosia  
Cyprus

**Postal Address:**

P.O. Box 25529  
CY-1395 Nicosia  
Cyprus

**Telephone:**

+357-22714433

**Web site:**

<http://www.centralbank.gov.cy>

**E-mail:**

[erdept@centralbank.gov.cy](mailto:erdept@centralbank.gov.cy)

**Fax:**

+357-22378155

**Telex:**

2424, 2228

*All rights reserved.*

*Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.*

*Available, in PDF format at [www.centralbank.gov.cy/nqcontent.cfm?a\\_id=661](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=661)*

# CONTENTS

<b>1. INTRODUCTION .....</b>	<b>1</b>
<b>2. ECONOMIC DEVELOPMENTS .....</b>	<b>2</b>
2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES.....	2
2.2 MONETARY DEVELOPMENTS.....	11
2.3 INFLATION .....	29
2.4 DOMESTIC ECONOMY.....	31
2.5 EXTERNAL TRANSACTIONS .....	39
<b>3. ANNEX .....</b>	<b>45</b>

## 1. INTRODUCTION

The terrorist attacks in Madrid on 11 March were a stark reminder that the issue of international terrorism is still very much with us. The international financial outlook has, for the time being, remained unchanged, while the largest economies continue to grow, especially the US, Britain and, to a lesser extent, the countries of the euro area. On the monetary policy front, the Federal Reserve, the European Central Bank and the Bank of England have kept their official interest rates unchanged, while share prices in the largest financial centres, with the exception of Japan, have exhibited a fall.

In the domestic economy, inflation rose to 1,86% in February, from 1,81% in the previous month. This increase was driven by the rise in the price of fuels mainly caused by the increases in taxes imposed in mid-January. For the first two months of 2004, inflation reached 1,84%, compared with 4,27% in the same period of 2003. This deceleration was due to the diminishing effect from the increase in the standard rate of VAT from 13% to 15% on 1 January 2003, and the decrease in the price of new cars resulting from a reduction in excise taxes last November. For the year 2003 as a whole, inflation reached 4,14%, compared with 2,81% in 2002.

As regards monetary developments, credit growth in the private sector during the first two months of the year remained weak, still below that registered in the same period of the previous year. Specifically, annual credit growth was somewhat unaltered in February as compared with January, reaching 4,8%, well below 7,9% registered in February 2003. In parallel, excess liquidity in the money market has continued.

Consequently, in order to be in line with its anti-inflationary policy, the Central Bank of Cyprus continued to intervene in the money market via auctions for the acceptance of deposits (depos), thus incurring the associated considerable cost.

Tourist arrivals decreased by 5,1% and 2,9% in January and February 2004, respectively, compared with increases of 10,1% and 8,4% in the corresponding months of 2003. In parallel, receipts from tourism fell by 17,3% in the first two months of the year, compared with an increase of 13,1% in the corresponding period of 2003.

As regards external trade, provisional data indicate that total imports increased by 5,6% in January 2004, compared with a decrease of 10,4% in the same month of 2003. A smaller increase was recorded for imports for home consumption excluding petroleum products and military equipment. In parallel, total exports declined by 8,6% in the first month of 2004. As a result of these developments, the crude trade deficit reached £151,0 million. In January 2004, compared with £138,7 million in January 2003.

As regards private consumption, the retail sales volume index declined by 2,7% in 2003, compared with an increase of 1,0% in 2002. Turning to the labour market, the number of registered unemployed increased in February 2004, compared with 2003, continuing the upward trend that has been evident since November 2001. The unemployment rate reached 4,7% of the economically active population in February 2004, compared with 4,0% in the same month of 2003.

In the secondary sector of the economy, mixed developments were again recorded. Manufacturing registered a contraction in 2003, whereas the performance of construction remained generally encouraging. In particular, the volume and value indices of building permits exhibited sizeable increases, while cement sales also increased. However, in January 2004 the sales of cement registered a decrease. With regard to public finances, according to data from the Ministry of Finance, the fiscal deficit reached £400,6 million in the first eleven months of 2003, compared with £200,6 million in the same period of 2002. In particular, public revenue grew by 8%, compared with an increase of 3,3% in the first eleven months of 2002. Public expenditure showed a growth of 17,2%, leading to an increase in the fiscal deficit for the period of January to November 2003. According to provisional data from the Ministry of Finance, the fiscal deficit of 2003 will reach 6,3% of GDP.

## 2. ECONOMIC DEVELOPMENTS

### 2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

#### *International economic developments*

International economic growth continued and most projections mention stable growth rates in 2004. Nonetheless, the American economy is threatened by the increasing budget and current account deficits while the latest figures from the labour market are a cause of concern. In Europe, some of the expected anti-terrorist measures following the terrorist attacks of 11 March are likely to have an impact on some economies. Regarding monetary policy, all major central banks have maintained a cautionary stance in their latest meetings. Most share indices exhibited a drop during March.

More analytically, in the **US** there is still concern regarding the labour market, despite an annual GDP growth of 4,3% for the fourth quarter of 2003. Specifically, in February there were only 21.000 new vacancies and this has affected consumer confidence. The University of Michigan consumer confidence index fell to 94,1 points in March, down from 94,4 points in the previous month. The Federal Reserve reiterated that its present cautionary stance would continue in the following months. Regarding share values, until 26 March the Dow Jones, S&P 500 and Nasdaq share indices fell by 3,4%, 3,1% and 3,1%, respectively. Since the beginning of 2004 the Dow Jones and Nasdaq indices fell by 2% and 2,1%, respectively, while the S&P 500 index has remained unchanged.

In the **euro area**, the annual rate of GDP growth for the fourth quarter of 2003 was 0,6%, up from 0,3% in the previous quarter. The rate of inflation in February fell to 1,6% from 1,9% in January, while unemployment remained constant at 8,8%. The European Central Bank (ECB) maintained its official interest rates unchanged at its meeting on 1 April. The Ifo business confidence index decreased to 96,4 points in February from 97,5 points in January, thus reflecting the market's concern regarding the recent appreciation of the euro and any negative implications this may have on German exports. Despite this, analysts believe that the euro area will also register positive growth rates in 2004. Regarding the share indices, Germany's DAX, France's CAC 40 and Italy's BCI decreased by 5,7%, 4,2% and 4,4%, respectively. Since the beginning of the year, the DAX index has fallen by 3,6% and the BCI by 0,3% while the CAC 40 index has risen by 1%.

In **Britain**, revised figures showed a rise of 2,8% in GDP for the fourth quarter of 2003. As in previous quarters, the main contributing factor to growth was private consumption. The CPI inflation rate was 1,3% in February, unchanged from January. The FTSE 100 share index fell by 3,6% for the period 1-25 March, while since January it has dropped by 2,3%.

In **Japan**, GDP annual growth for the fourth quarter of 2003, which was mainly driven by domestic consumption, reached 3,4%. The Nikkei 225 share index rose by 4,4% during the period under review and was the only index to have exhibited an increase. Since the beginning of the year, the Japanese share index has risen by 10,2%.

In February, the average price of Brent crude oil was \$30,67 per barrel, down from \$31,27 per barrel in January. During February there was a rise in the price of Brent following OPEC's decision to reduce production because of the expected drop in seasonal demand. The price of oil was also affected by increased demand from Asian countries, the small quantities of US oil reserves and the uncertainty of the market regarding production from Venezuela. Until mid-March, the average price was \$34 per barrel. In view of the recent rise in the price of crude oil several OPEC members have expressed scepticism regarding the effectiveness of the decision to cut back production in April.

**Table 1****GDP projections***(annual percentage change)<sup>(1)</sup>*

	The Economist Poll GDP forecasts <sup>(2)</sup>			Lehman Brothers Weekly Outlook - GDP <sup>(3)</sup>			International Monetary Fund World Economic Outlook <sup>(4)</sup>			European Commission Economic Forecasts <sup>(5)</sup>		
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Britain	2,1	3,0 (2,8)	2,5	2,3 (2,1)	3,2 (3,0)	2,6	1,9 (1,6)	1,7 (2,0)	2,4 (2,5)	2,0 (2,2)	2,8 (2,6)	2,9
Japan	2,3	2,6 (2,1)	1,8	2,7 (2,3)	3,0 (2,5)	1,5	0,2 (0,3)	2,0 (0,8)	1,4 (1,0)	2,6 (1,5)	1,7 (1,3)	1,5
USA	3,2	4,7 (4,6)	3,5	3,1 (3,1)	4,5	3,9	2,4	2,6 (2,2)	3,0 (3,6)	2,8 (2,4)	3,8 (2,5)	3,3
Euro area	0,5	1,8 (1,9)	2,2	0,4 (0,4)	1,5	2,4	0,9 (0,8)	0,5 (1,1)	1,9 (2,3)	0,4 (1,0)	1,8 (2,3)	2,3
World				2,2 (2,1)	3,2 (2,9)	2,9	3,0	3,2	4,1	3,3 (3,2)	4,1 (3,7)	4,1

<sup>(1)</sup> Figures in parentheses indicate the corresponding previous month projection, in case of change.

In the case of the IMF and the EC, the figures indicate the respective projections in April and March 2003.

<sup>(2)</sup> The Economist, 20 March 2004.<sup>(3)</sup> Lehman Brothers Global Weekly Economic Monitor, 19 March 2004.<sup>(4)</sup> International Monetary Fund, World Economic Outlook, September 2003.<sup>(5)</sup> European Commission, Economic Forecasts, Autumn 2003 (European Economy no. 5/2003).**Table 2****Major share indices***(closing prices)*

	2003	2004				
	31 Dec.	1 Mar.	26 Mar.		% change	
					1 Jan.-26 Mar.	26 Mar.
<b>USA</b>						
Dow Jones	10.425,0	10.583,9	10.218,8		-2,0	-3,4
S&P 500	1.109,6	1.144,9	1.109,2		0,0	-3,1
Nasdaq	2.009,9	2.029,8	1.967,2		-2,1	-3,1
<b>Germany</b>						
DAX	3.965,2 *	4.054,4	3.822,3		-3,6	-5,7
<b>France</b>						
CAC 40	3.557,9	3.748,9	3.592,4		1,0	-4,2
<b>Italy</b>						
BCI	1.256,6 *	1.311,1	1.253,0 **		-0,3	-4,4
<b>Britain</b>						
FTSE 100	4.476,9	4.537,0	4.373,6 **		-2,3	-3,6
<b>Japan</b>						
Nikkei 225	10.676,6 *	11.271,1	11.770,7		10,2	4,4

Source: Reuters

\* Closing date 30 December 2003

\*\* Closing date 25 March 2004



**Table 3****Main economic indicators***(percentage change on year ago)*

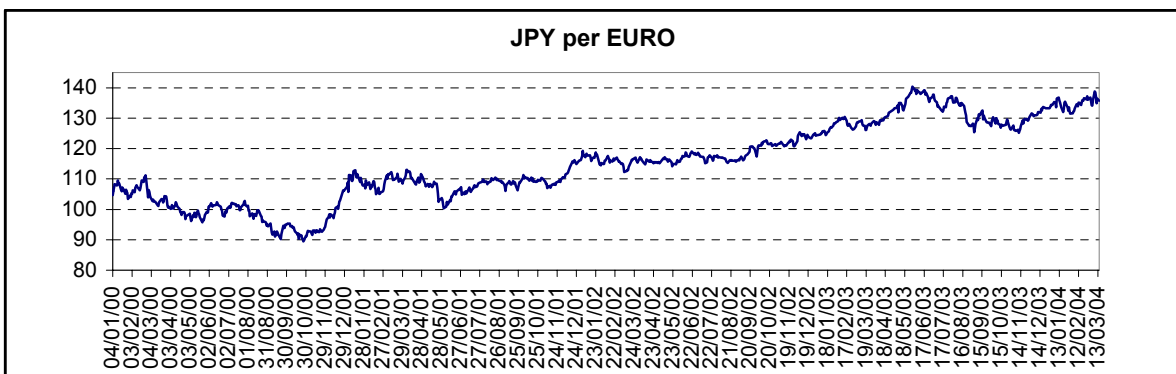
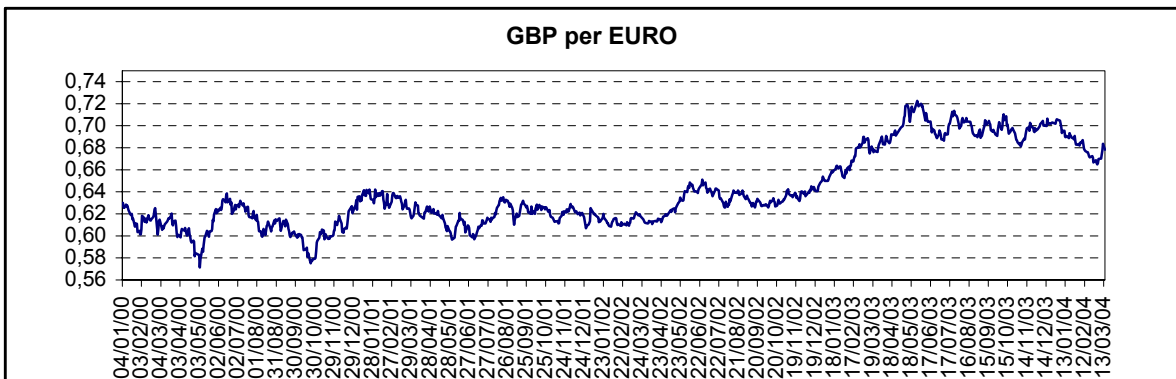
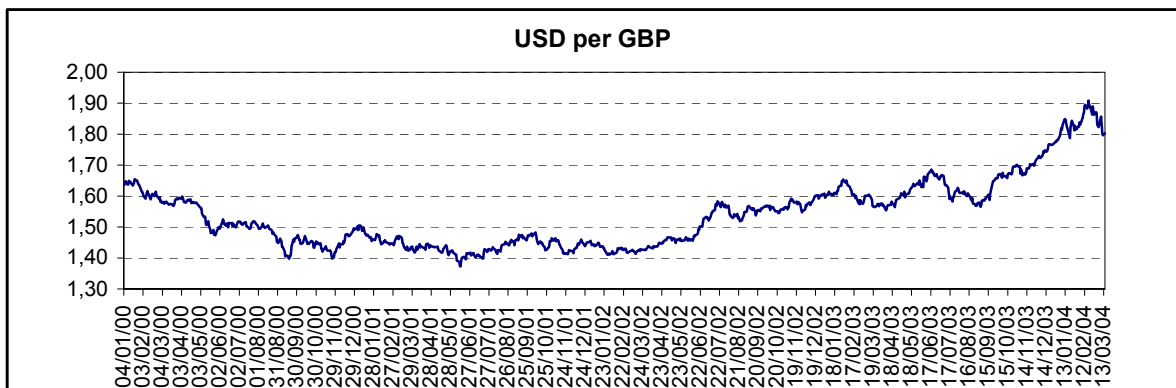
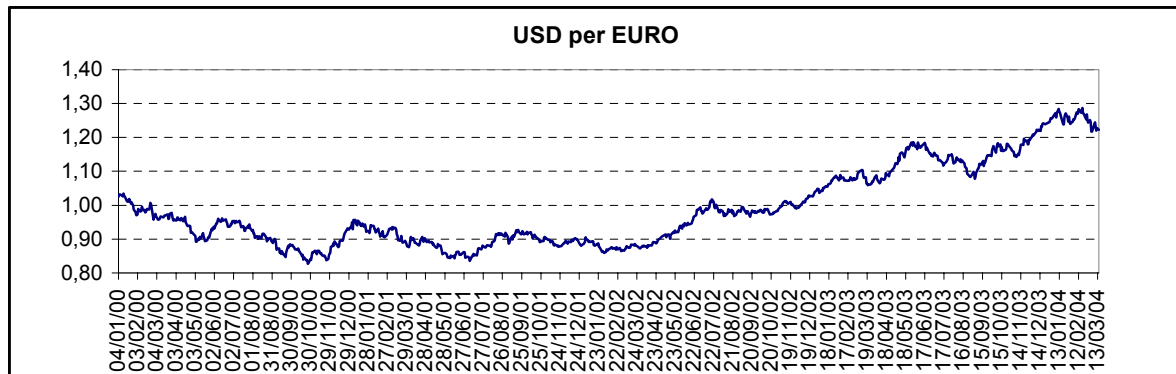
	GDP				Industrial production Jan. 2004 (annual)	Retail sales Jan. 2004 (annual)	Unemployment Jan. 2004 (annual)	Inflation <sup>(1)</sup> Jan. 2004 (annual)
	2003:Q3		2003:Q4					
	(quarterly)*	(annual)	(quarterly)*	(annual)				
Britain	3,1	2,0	3,8	2,8	0,4	6,4	4,8 <sup>(3)</sup>	1,3 <sup>(2)</sup>
Japan	1,4	1,8	6,4	3,4	4,9	1,5	5,0	-0,3
USA	8,2	3,5	4,1	4,3	2,7 <sup>2</sup>	6,0	5,6 <sup>(2)</sup>	1,7 <sup>(2)</sup>
Euro area	1,5	0,3	1,2	0,6	0,6	1,0	8,8	1,6 <sup>(2)</sup>

*Source: The Economist, 20 March 2004.*<sup>(1)</sup> *Based on the Consumer Price Index. In December 2003 the UK adopted the CPI as a measure of inflation. The Bank of England has set a new inflation target of 2% based on the CPI.*<sup>(2)</sup> *February 2004*<sup>(3)</sup> *November 2003 - January 2004*\* *percentage change on previous quarter at an annualised rate***International currencies**

The euro recorded a marginal appreciation against the dollar for most of February. During the last days of February and the first two weeks of March the dollar depreciated against the euro reaching 122 cents to a euro on 15 March 2004. The course of the dollar during February was influenced by the statements of European central banks who kept stressing the need for a weaker euro vis-à-vis its dollar and the lowering of interest rates by the ECB. During the first two weeks of March, the dollar was supported by the expectations of a recovery of the US economy and large purchases of dollars by the Bank of Japan.

Sterling fluctuated around 67 – 68 pence to a euro during February and the first two weeks of March. The value of sterling was influenced by expectations of economic recovery and a possible increase in interest rates.

In the period from 1 February to 15 March 2004, the yen fluctuated marginally against the euro and depreciated against the dollar, which was the result of intervention by the Bank of Japan.

**Graph 1****Major international currencies****04/01/2000 - 15/03/2004***(opening, selling values)*

The following table shows short-term forecasts for exchange rates undertaken by a large number of international financial investment banks and produced in a survey by Reuters. The survey was conducted in the period from 1-3 March, and thus reflects recent developments. The dollar is expected to depreciate vis-à-vis the yen, while fluctuating marginally against sterling and the euro.

### Cyprus pound

The Cyprus pound registered marginal fluctuations vis-à-vis the euro during February

and the first two weeks of March. On 15 March 2004, the Cyprus pound reached € 1,7068 (opening selling price) compared with € 1,7063 on 2 February. Reflecting fluctuations in international currencies during this period, the Cyprus pound strengthened slightly against the dollar for most part of February, while during the last days of February and the first two weeks of March it depreciated. The Cyprus pound vis-à-vis the dollar was \$ 2,0958 on 15 March 2004, while on 2 February 2004 it reached \$ 2,1249.

**Table 4**

### International market expectations for exchange rates Reuters monthly survey

(March, 2004)

		Exchange rate forecasts			
Currency	Statistical data	1 month	3 months	6 months	12 months
USD per EUR	Mean	1,25	1,29	1,29	1,26
	Minimum				
	Number of observations	1,18	1,20	1,15	0,85
		1,35	1,35	1,38	1,40
USD per GBP	Mean	1,87	1,90	1,88	1,84
	Minimum	1,79	1,79	1,74	1,56
	Maximum	1,96	2,00	2,02	2,05
	Number of observations	59	57	57	55
JPY per USD	Mean	107,54	105,28	103,92	103,14
	Minimum	102,00	98,00	95,00	89,00
	Maximum	113,00	112,58	115,50	125,50
	Number of observations	57	57	57	55
GBP per EUR	Mean	0,67	0,68	0,68	0,69
	Minimum	0,63	0,63	0,63	0,54
	Maximum	0,71	0,71	0,74	0,75

Source: Reuters. The survey was conducted in the period 1-3 March 2004.

During February, the Cyprus pound depreciated slightly against sterling, reaching ST£ 1,1440 on 27 February from ST£ 1,1658 on 2 February. During the first two weeks of March the Cyprus pound registered marginal fluctuations vis-à-vis

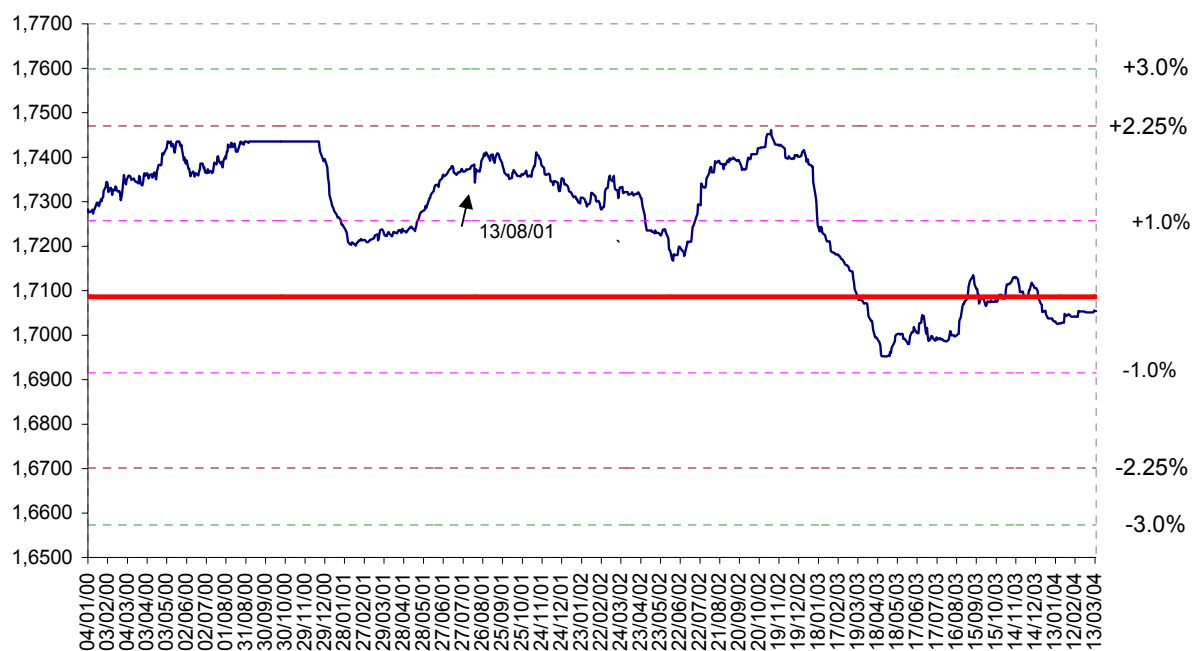
sterling reaching ST£ 1,1596 on 15 March 2004. Charts 2A and 2B depict recent fluctuations in the value of the Cyprus against the euro, the dollar, sterling and the yen.

### Graph 2A

#### Exchange rate of the euro against the Cyprus pound

04/01/2000 - 15/03/2004

(Selling rate, opening)



Note: The official fluctuation margins of the Cyprus pound against the euro are  $\pm 15\%$

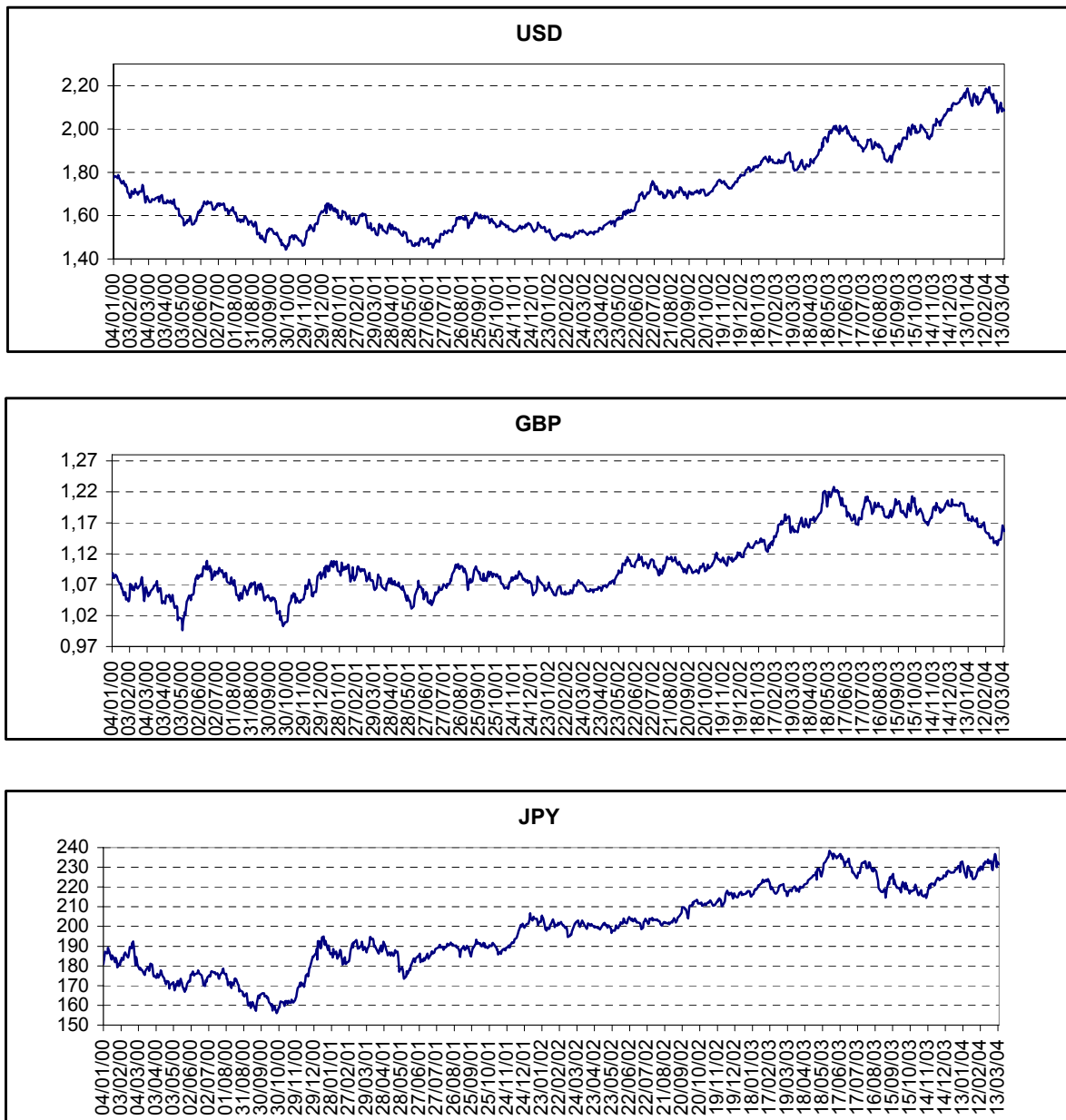
**Graph 2B****Cyprus pound against major international currencies**  
**04/01/2000 - 15/03/2004***(opening, selling values)*

Table 5 shows the purchases and sales by the Central Bank in the domestic foreign exchange market for the period 4 January 2000 – 15 March 2004. As the table illustrates, during February and the first two weeks of March, there were net outflows of £6,49 million, compared with £40,62 million in January.

Daily purchases and sales of foreign exchange between the Central Bank and domestic banks since 2001 are illustrated in chart 3.

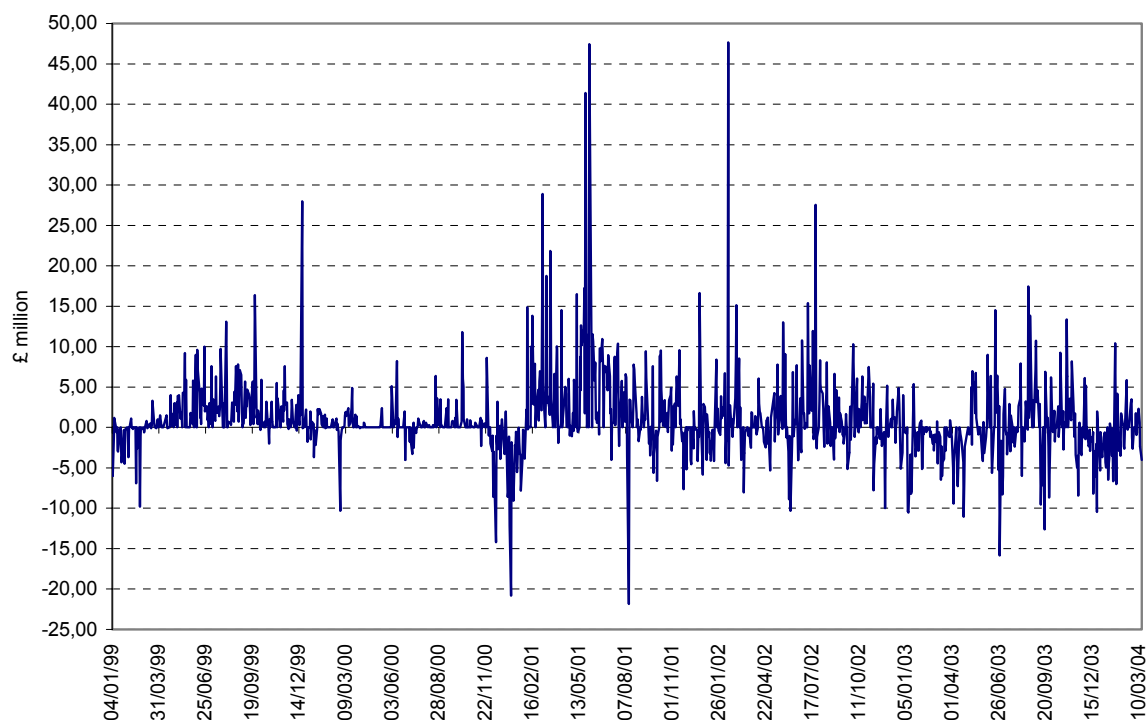
**Table 5****Domestic foreign exchange market: purchases and sales by the Central Bank of Cyprus**

Period	Average exchange rate intervention Foreign currency per Cyprus pound (period average)			Purchases(+)/Sales(-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency (million)			In Cyprus pounds (million)
	Euro	US dollar	Pound sterling	Euro	US dollar	Pound sterling	
<u>Yearly</u>							
2001	1,7314	1,5602	1,0805	437,31	155,24	70,72	663,30
2002	1,7383	1,6445	1,0934	321,55	64,75	53,05	273,13
2003	1,71215	1,9361	1,1844	-259,75	1,30	19,50	-134,01
<u>Quarterly</u>							
2002 Q1	1,7367	1,5226	1,0678	106,05	4,50	8,10	71,79
2002 Q2	1,7295	1,5882	1,0873	-12,25	17,30	33,80	34,44
2002 Q3	1,7397	1,7119	1,1054	205,55	13,85	-0,20	126,36
2002 Q4	1,7467	1,7472	1,1119	22,20	29,10	11,35	39,90
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,25	0,00	-116,28
2003 Q2	1,7050	1,9358	1,1963	-56,20	-1,75	1,00	-33,09
2003 Q3	1,7073	1,9208	1,1927	50,60	0,45	0,30	30,01
<u>Monthly</u>							
December 2002	1,7453	1,7780	1,1209	13,20	8,80	2,60	14,96
January 2003	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February 2003	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March 2003	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April 2003	1,7050	1,8457	1,1749	-108,30	-1,40	0,00	-64,26
May 2003	1,7038	1,9728	1,2148	23,10	-0,35	1,00	14,21
June 2003	1,7063	1,9890	1,1991	29,00	0,00	0,00	16,96
July 2003	1,7026	1,9366	1,1919	-33,30	0,00	0,10	-19,47
August 2003	1,7053	1,9073	1,1940	88,30	0,05	-0,20	51,57
September 2003	1,7132	1,9226	1,1936	-4,40	0,40	0,40	-2,08
October 2003	1,7118	2,0038	1,1950	42,95	0,00	7,90	31,68
November 2003	1,7144	2,0062	1,1878	-28,80	1,35	8,30	-9,07
December 2003	1,7106	2,1005	1,2012	-66,50	0,00	2,00	-37,27
January 2004	1,7051	2,1497	1,1799	-83,20	-0,20	9,70	-40,62
February 2004	1,7064	2,1595	1,1555	-23,55	0,00	11,00	-4,25
March* 2004	1,7069	2,0982	1,1470	-11,85	2,35	4,10	-2,24

\*It includes data until 15 March 2004.

**Graph 3**

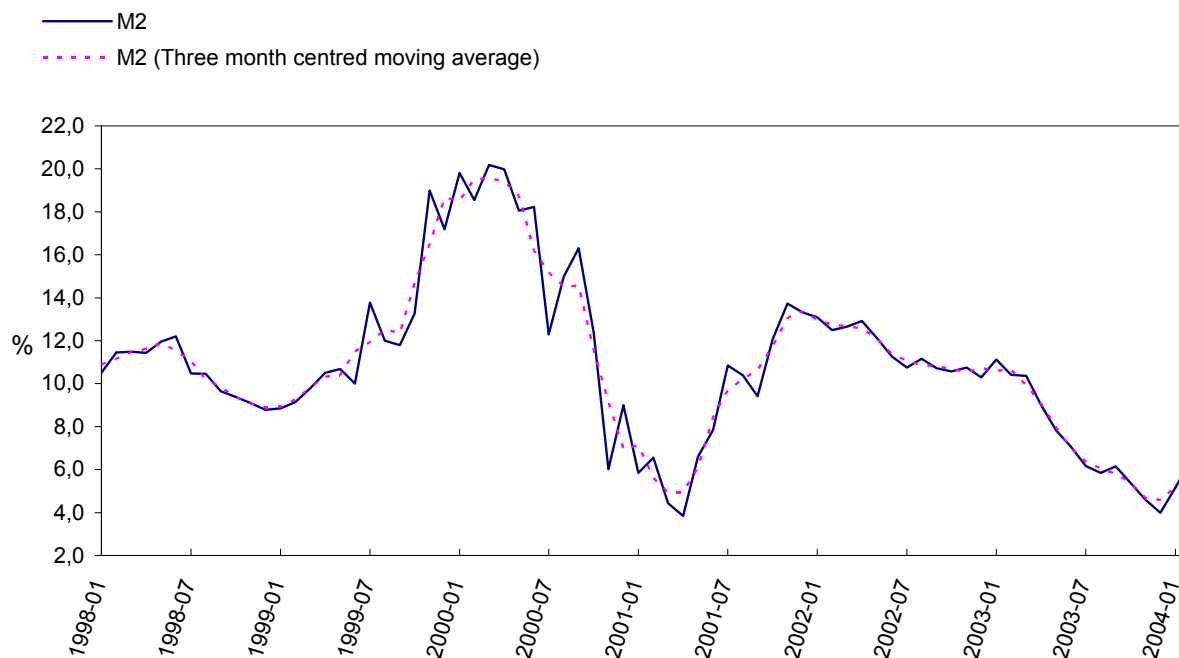
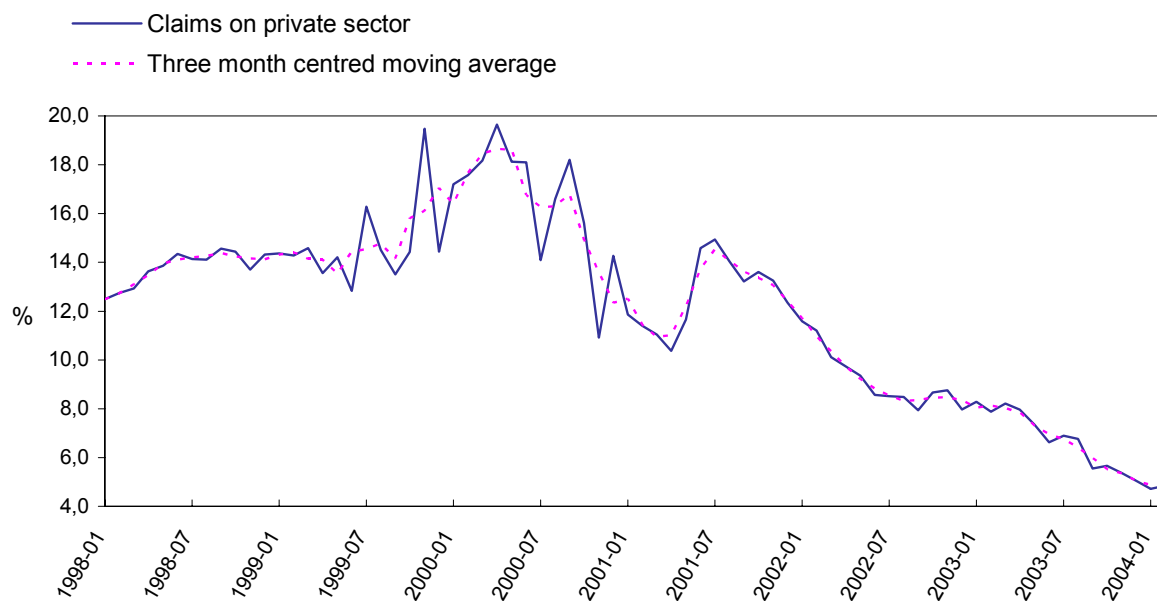
**Daily purchases / sales of foreign exchange by the Central Bank  
from the domestic banks  
4/1/1999-15/3/2004**



*Note: Purchases of foreign exchange by the Central Bank are shown with a positive sign.*

## 2.2 MONETARY DEVELOPMENTS

M2 growth increased in February while credit growth remained stable. At the same time, as a result of surplus banking liquidity the Central Bank continued intervening in the money market using depo auctions.

**Graph 4****M2 growth***(annual percentage changes, monthly data)***Graph 5****Growth of claims on private sector***(annual percentage changes, monthly data)*



**Table 6****Main monetary indicators***(annual percentage change)*

	2000	2001	2002	2003	2003 Feb.	2004 Jan.	2004 Feb.
Money supply (M1)	-3,8	1,1	2,6	32,5	9,8	39,4	37,5
Total money supply (M2)	9,0	13,3	10,3	4,0	10,4	5,2	6,4
Claims on private sector	14,3	12,3	8,0	5,0	7,9	4,7	4,8

The annual growth rate of M2 increased by 6,4% in February, compared with 5,2% in January and 10,4% in February 2003. This is also reflected in the three-month moving average, which shows M2 rising by 5,2% during the period December 2003 – February 2004, up from 4,6% in the period November 2003 – January 2004.

According to provisional data, the growth rate of the monetary aggregate M2C which includes the co-operative credit institutions, slowed down to 6,4% in January 2004, having risen by 9,9% in January 2003<sup>1</sup>.

In contrast, the growth of credit to the private sector remained stable in February, exhibiting a 4,8% increase. In the same month of the previous year the rate of growth was 7,9% (table 6). According to the three-month moving average, credit expanded by 4,9% during the period December 2003 – February 2004 and 5% during the three months from November to January. The slowdown in economic activity and the stricter assessment of loan applications by the banks remained the main factors responsible for the continuing slowdown in credit expansion.

<sup>1</sup>The monetary aggregate M2C should be treated with caution since the co-operative credit institutions are not supervised by the Central Bank of Cyprus and, in addition, the automation undertaken by the Co-operative Computers Society (SEM) Ltd. does not yet cover all the co-operative credit institutions.

Table 7 presents the factors affecting M2, in absolute terms. As shown, the level of bank credit granted to the private sector in the period January to February was considerably below the corresponding level in the previous year. In the same period, net foreign assets decreased by a smaller amount than that registered in the same period of 2003. In contrast, credit to the public sector increased significantly. Specifically, credit to the public sector rose by £165,4 million, compared with a rise by £79 million registered last year. Net credit to the private sector for the first two months of the year rose by £36,9 million, compared with £49,6 million in the same period of 2003.

For the period under review net foreign assets decreased by £96 million as compared with a fall of £177,7 million in the same period of 2003.

Unclassified items fell by £4,9 million compared with a drop of £40,1 million in the first two months of 2003. As regards the components of M2, during the first two months of the year the narrow aggregate M1 decreased by £55,3 million while quasi-money increased by £156,8 million. This development was due to the large increase in time deposits during the period under review. The shift from short to long-term deposits that was effected in 2003 has started to reverse.

**Table 7****Factors affecting total money supply***(change, CYP thousand)*

	Feb. 2004	Jan. - Feb.		Jan. 2003/2004	Feb. 2003/2004
		2003	2004		
Foreign assets (net)	-26.681	-177.711	-95.974	335.652	434.008
Claims on private sector	20.123	49.560	36.945	374.217	385.695
Claims on public sector	47.262	79.045	165.362	231.075	253.616
Unclassified items	-6.429	-40.138	-4.877	-521.009	-556.346
<b>Total money supply (M2)</b>	<b>34.275</b>	<b>-89.244</b>	<b>101.456</b>	<b>419.935</b>	<b>516.973</b>
<b>Money supply (M1)</b>	<b>697</b>	<b>-78.066</b>	<b>-55.348</b>	<b>373.316</b>	<b>359.932</b>
Currency in circulation	-6.834	-28.911	-38.085	73.090	65.220
Demand deposits	7.531	-49.155	-17.263	300.226	294.712
<b>Quasi-money</b>	<b>33.578</b>	<b>-11.178</b>	<b>156.804</b>	<b>46.619</b>	<b>157.041</b>

The analysis of bank credit by sector of economic activity (table 8) shows that during the period January – February 2004 personal and professional loans, construction, and trade absorbed the largest part of new credit<sup>2</sup>. In the same period of the previous year the trade sector held 72,6% of new credit. For the period January to February 2004, personal and professional loans increased by £34 million, compared with a decrease of £31,9 million in the same period of 2003. In the construction sector, the new loans amounted to £17,6 million compared with £14,2 million in the same period of 2003. In the foreign and domestic trade sector there were £1,8 million worth of new loans compared with £42,7 million in the previous year.

As regards the tourism sector, there was a small rise in new credit, amounting to £1,2 million compared with £32,4 million during the first two months of 2003. New credit to public institutions and corporations (including the government) fell by £4,9 million, compared with a rise of £2,5 million last year.

According to provisional weekly data on credit to the private sector, for the 12 months ending 5 March 2004, new credit amounted to £406 million, indicating an annual growth rate of 5,1%.

---

<sup>2</sup>The figures for new credit refer to net credit granted during the reference period. The share of 102% in the personal and professional loans sector is due to the inclusion of net loan repayments (with a negative sign) to the total change in new credit. Hence the total change of new credit is smaller than the change in new loans in this particular sector.

**Table 8**  
**Bank credit by sector**

	January - February			
	2003		2004	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations <sup>(1)</sup>	2.534	4,3	-4.924	-14,8
Agriculture	424	0,7	-258	-0,8
Mining	-221	-0,4	-2.771	-8,3
Manufacturing	-3.252	-5,5	-3.631	-10,9
Transport and communications	1.932	3,3	-9.387	-28,2
Foreign and domestic trade	42.669	72,6	1.799	5,4
Building and construction	14.227	24,2	17.596	52,9
Tourism	32.436	55,2	1.151	3,5
Personal and professional loans	-31.896	-54,2	33.973	102,0
Bills discounted: Local	670	1,1	46	0,1
Foreign	-723	-1,2	-302	-0,9
<b>Total</b>	<b>58.800</b>	<b>100,0</b>	<b>33.292</b>	<b>100,0</b>

(1) Including Government loans

Foreign currency loans to residents of Cyprus increased in February by £8 million. There was a rise of £6,6 million in January and £36,6 million in December 2003. The proportion of foreign currency credit to total credit was virtually unchanged at 9,8% in February, while it stood at 10,4% in February of last year (table 9)<sup>3</sup>.

For the period 1 January to 5 March 2004 provisional data indicate an increase in foreign currency loans to residents<sup>4</sup> by approximately £15,4 million.

<sup>3</sup>The figures for foreign currency loans in this section include only foreign currency loans granted to residents by domestic banks.

<sup>4</sup>According to balance of payments statistics, loans from banks abroad to Cypriot residents in January exceeded repayments by £0,6 million. Long-term loans from international banking units registered net repayments of £0,3 million until the end of January 2004.

**Table 9****Claims on private sector <sup>(1)</sup>***(change, CYP million)*

	2003 Dec.	2004 Jan.	2004 Feb.
Foreign currency loans to residents	36,6	6,6	8,0
Claims on private sector	195,5	16,8	20,1

*(end of period balances, CYP million)*

	2001	2002	2003	2003 Feb.	2004 Jan.	2004 Feb.
Foreign currency loans to residents	733,0	785,2	799,0	824,5	805,5	813,5
Claims on private sector	7320,1	7904,1	8302,4	7953,7	8319,2	8339,4
Share %	10,0	9,9	9,6	10,4	9,7	9,8

*(1) From local banks.*

Data on foreign currency lending to Cypriots show that at the end of January 2004 the proportion of euro loans to total loans in foreign currency stood at 68,1%. The proportion of loans in dollars, yen and Swiss francs was 11,4%, 7,9% and 11%, respectively. According to data on medium and long-term foreign currency loans, in January 2004 about 20,2% of these were used in the domestic construction sector, 59,9% for refinancing<sup>5</sup> and 10,9% for the acquisition of fixed assets.

Domestic expenditure by Cypriots through credit cards rose at an annual rate of 16,3% in February as compared with 13,9% in February 2003.

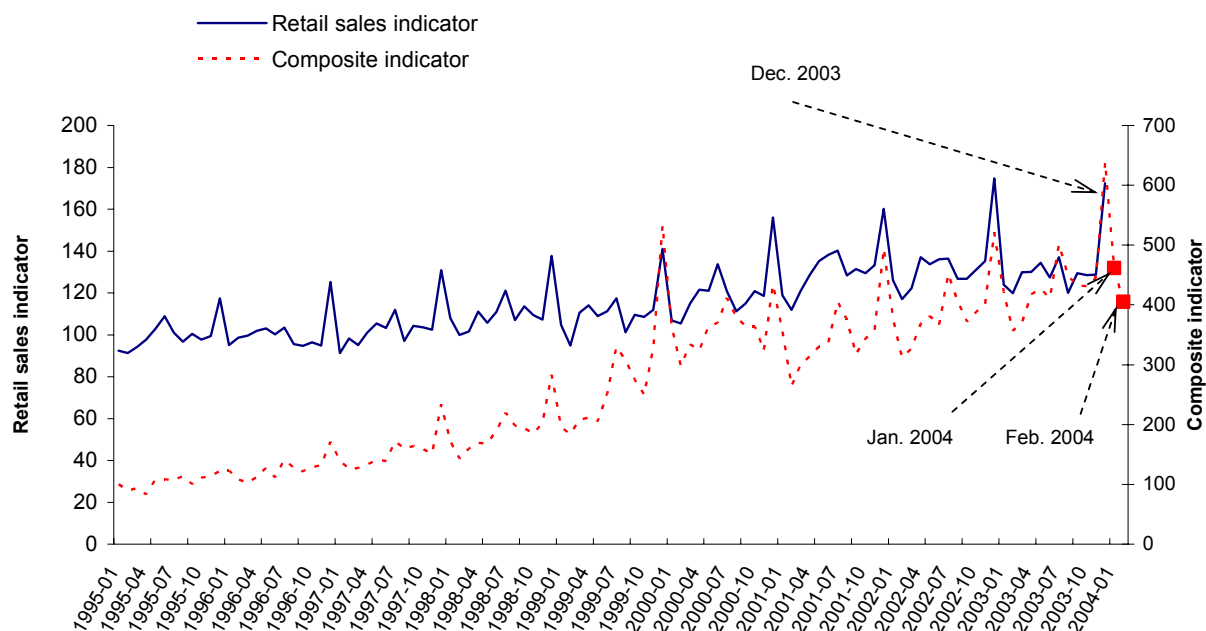
Expenditure of Cypriots abroad through the use of credit cards increased by 12% in February, compared with 17% in the corresponding month of last year. Finally, foreign credit card holders spent 10,2% more in Cyprus in February, compared with 17% in the same month of 2003.

Data on credit cards and other monetary data, such as clearing, provide an indication for the trend in retail sales<sup>6</sup>. Chart 6 shows the retail sales value index for which data are available up to February 2004 and the composite indicator<sup>7</sup> for which data are available up to December 2003.

<sup>5</sup>Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans into a different currency.

<sup>6</sup>Data on retail sales are produced less promptly.

<sup>7</sup>The composite indicator comprises domestic expenditure by Cypriots through credit cards and cheque clearing (Monetary Policy Report, September 2002).

**Graph 6****Relationship between monetary aggregates and retail sales**

As chart 6 shows, the composite indicator registered a decline in January, which continued in February, partly because of the end of the Christmas season. This trend is similar to previous years. A corresponding movement is expected in the retail sales value index during

the months under review, since the predictive ability of the composite indicator has proven to be adequate in previous months. The graph indicates that, excluding seasonal factors, retail sales remained weak.

### Money market

In February there was an increase in excess banking liquidity as compared with January. The Central Bank held auctions for the acceptance of deposits (depos) and absorbed an average daily liquidity of £169 million compared with £151,9 million in January (table 10).

Surplus liquidity mainly emanated from the decrease in government deposits and the decrease in currency in circulation. However, the decrease in the average daily value of net foreign assets from £1.214,1 million in January to £1.185,3 million in February moderated the excess liquidity somewhat. The net effect of these factors was an increase in banking liquidity.

The average value of government deposits fell to £656,7 million in February from £670,6 million in January<sup>8</sup>. In February there were net repayments of government securities worth £16,5 million, whereas in January net repayments were just £0,3 million.

The above developments are consistent with the fact that the Central Bank absorbed more liquidity in February.

Despite the rise in excess liquidity, the monthly average interest rate in the auctions for the acceptance of deposits rose to 3,47% in February compared with 3,36% in January and 3% in December 2003. During March, two auctions were held in which £250 million were absorbed at a monthly average interest rate of 3,44%.

Table 11 shows that the overnight average inter-bank interest rate fell in February to 3,03%, compared with 3,1% in the previous month, due to the rise in surplus liquidity. As regards government securities, auctions were held in February in all types of government securities except treasury bills. In March, auctions took place for all government securities except for ten and fifteen-year bonds. The yields of the auctioned securities registered a rise because the government accepted higher interest rates in the bids.

---

<sup>8</sup>Table 10 shows the value of net government deposits, that is deposits minus the long-term loan of £961,1 million.



## Liquidity conditions and monetary policy operations from 5 January - 18 March 2004

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 5 January to 18 March 2004. Figure 1 summarises the liquidity absorption and provision through the monetary policy operations while figure 2 presents the developments of the main short-term interest rates.

### Liquidity conditions in the banking system

During the period under review, the net liquidity impact of the autonomous factors, i.e. the factors not related to monetary policy operations, contributed to the prevailing of ample liquidity conditions in the banking system. In particular, net transactions between the government and the counterparties added liquidity amounting to £84 million. In addition, liquidity amounting to £46,2 million was injected in the banking system due to a decrease in currency in circulation which was primarily recorded in January following the Christmas holiday period. In contrast, net outflows from the purchases / sales of foreign exchange by the Central Bank from / to the domestic banks (fixing) amounting to £52,2 million had a decreasing effect on liquidity. The demand for new issues exceeded the matured issues of government securities resulting in a decrease of liquidity amounting to £38,7 million. A low interest for reinvesting in government securities with long-term maturities was exhibited from the private sector.

### Monetary policy operations and interest rates

The CBC settled seven main refinancing operations (MROs) in the reviewed period for the absorption of liquidity through auctions for the acceptance of deposits.

#### Open market operations

(CYP millions; interest rates in percentages per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Weighted average allotment rate	Running for (...) days
MRO	05/01/2004	15/01/2004	200,0	180,0	1,11	3,38	10
MRO	15/01/2004	21/01/2004	263,5	200,0	1,32	3,37	6
MRO	22/01/2004	29/01/2004	169,8	169,8	1,00	3,31	7
MRO	29/01/2004	12/02/2004	177,5	160,0	1,11	3,47	14
MRO	12/02/2004	26/02/2004	198,0	170,0	1,16	3,47	14
MRO	26/02/2004	11/03/2004	202,0	190,0	1,06	3,47	14
MRO	11/03/2004	18/03/2004	201,0	150,0	1,34	3,47	7

Source: Central Bank of Cyprus.

The MROs were carried out as variable rate tenders with a maximum bid rate of 3,50%. The absorbed liquidity ranged between £150 million and £200 million whereas, the weighted average allotment rate remained within a range of 3,31% to 3,47%. The ratio of the amount bid to the volume allotted varied between 1,00 and 1,34 with an average of 1,16, while the number of participating counterparties was 4 or 5.

#### Standing facilities

(average recourse in CYP millions)

MRO period	Deposit facility	Marginal lending facility
05/01 - 15/01/2004	100,5	0,0
15/01 - 21/01/2004	58,9	0,0
22/01 - 29/01/2004	4,7	0,0
29/01 - 12/02/2004	7,9	0,0
12/02 - 26/02/2004	35,9	0,0
26/02 - 11/03/2004	15,8	0,0
11/03 - 18/03/2004	20,1	1,0

Source: Central Bank of Cyprus.

In view of the aforementioned liquidity conditions that prevailed in the reviewed period, frequent recourse to the overnight deposit facility was recorded, with the respective period average recourse ranging between £4,7 million and £100,5 million, in contrast to the very limited recourse to the marginal lending facility with the respective period average recourse ranging between zero and £1 million.

Figure 1. Monetary policy operations

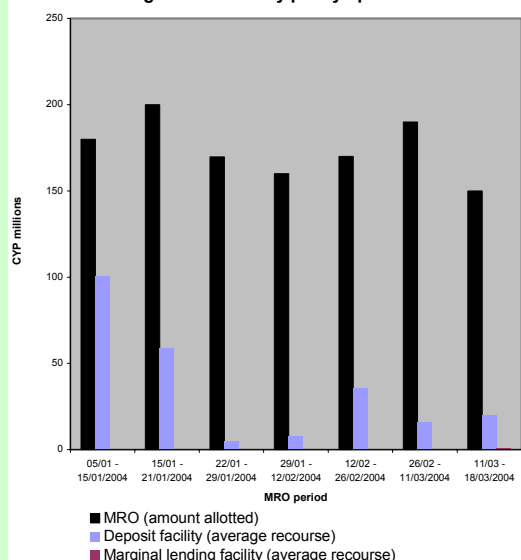
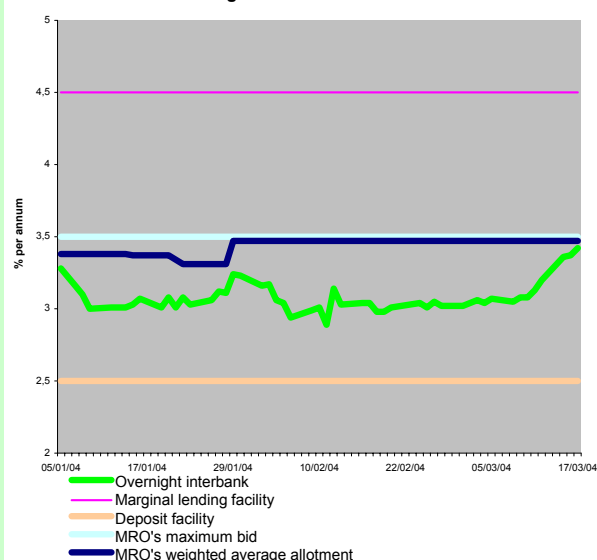


Figure 2. Interest rates



### Overnight interbank interest rate

(percentages per annum)

MRO period	Minimum rate	Maximum rate	Average rate
05/01 - 15/01/2004	3,00	3,28	3,08
15/01 - 21/01/2004	3,01	3,08	3,05
22/01 - 29/01/2004	3,03	3,12	3,08
29/01 - 12/02/2004	2,89	3,24	3,07
12/02 - 26/02/2004	2,98	3,14	3,03
26/02 - 11/03/2004	3,02	3,08	3,05
11/03 - 18/03/2004	3,13	3,42	3,30

Source: Central Bank of Cyprus.

The overnight interbank interest rate ranged between 2,89% and 3,42%. For most of the period the average rate stood at around 3,06%, indicating that market participants were perceiving the liquidity conditions as ample.

**Table 10****Banking system's liquidity position***(£ million, period averages of daily positions)*

		Liquidity - providing factors					Liquidity - absorbing factors					Credit institutions current accounts (MRA)	Base money  (6+7+9+12)	
		Monetary policy operations												
		Net assets in gold and foreign currency (NFA)	Main refinancing operations (repos)	Long - term refinancing operations	Marginal lending facility (lombard)	Other liquidity providing operations (swap)	Deposit facility (overnight)	Other liquidity-absorbing operations (additional & special & S.M.E. dep.)	Rev-repos & depots	Currency in circulation	Central Govern. deposits (net) <sup>1)</sup>			Other factors (net)
		1	2	3	4	5	6	7	8	9	10	11	12	13
2002	Mar.	1.684,4	0,0	0,0	3,3	0,0	24,8	79,4	189,9	367,4	369,6	167,3	489,2	960,9
	Apr.	1.637,5	0,0	0,0	3,4	0,0	17,6	79,4	267,7	379,4	121,7	284,6	490,7	967,0
	May	1.632,1	0,0	0,0	1,0	0,0	11,2	79,4	287,6	400,1	98,2	263,2	493,4	984,1
	June	1.576,3	0,0	0,0	0,6	0,0	26,0	79,4	366,9	403,1	-16,3	221,6	496,3	1.004,7
	July	1.403,2	0,0	0,0	1,5	0,0	41,5	79,4	405,2	413,5	-212,0	179,6	497,5	1.031,9
	Aug.	1.465,0	0,0	0,0	1,9	0,0	21,9	79,5	427,1	422,7	-166,4	176,7	505,4	1.029,5
	Sep.	1.450,9	0,0	0,0	8,6	0,0	2,2	79,3	392,3	413,0	-127,4	190,7	509,3	1.003,9
	Oct.	1.461,3	0,0	0,0	0,3	0,0	10,5	79,4	332,6	413,3	-98,8	213,4	511,2	1.014,4
	Nov.	1.446,9	0,0	0,0	0,6	0,0	4,7	79,5	385,3	399,9	-135,9	201,8	512,1	996,2
	Dec.	1.371,4	0,0	0,0	0,0	0,0	36,2	79,3	412,0	425,4	-330,1	231,9	516,6	1.057,6
2003	Jan.	1.340,4	0,0	0,0	3,5	0,0	29,3	79,3	438,9	413,6	-315,3	172,7	525,3	1.047,6
	Feb.	1.280,1	0,0	0,0	0,4	0,0	32,4	79,3	325,0	402,2	-276,0	181,8	535,8	1.049,7
	Mar.	1.210,2	0,0	0,0	10,3	0,0	11,1	79,4	308,5	404,4	-309,5	188,5	538,1	1.032,9
	Apr.	1.141,6	0,0	0,0	0,2	0,0	14,7	79,4	210,4	422,4	-328,7	208,4	535,0	1.051,6
	May	1.112,4	0,0	0,0	3,2	0,0	13,4	79,4	152,3	438,8	-315,7	214,8	532,6	1.064,2
	June	1.095,7	0,0	0,0	1,6	0,0	9,9	79,3	136,7	447,1	-309,5	204,0	529,8	1.066,1
	July	1.075,1	0,0	0,0	0,0	0,0	27,6	79,3	117,7	462,2	-332,7	193,2	527,8	1.096,9
	Aug.	1.104,4	0,0	0,0	0,0	0,0	24,0	79,3	146,8	471,3	-343,6	196,6	530,0	1.104,6
	Sep.	1.144,1	0,0	0,0	2,6	0,0	14,0	79,7	174,5	465,9	-301,8	184,4	530,0	1.089,6
	Oct.	1.079,8	0,0	0,0	0,3	0,0	23,0	79,4	123,6	467,2	-330,3	184,9	532,3	1.101,9
2004	Nov.	1.122,7	0,0	0,0	0,6	0,0	31,2	79,3	107,7	461,5	-286,9	199,2	531,4	1.103,4
	Dec.	1.173,1	0,0	0,0	4,8	0,0	17,8	79,5	47,4	496,3	-217,9	222,7	532,1	1.125,7
	Jan.	1.214,1	0,0	0,0	0,0	0,0	55,4	79,3	151,9	491,2	-290,5	192,6	534,2	1.160,1
	Feb.	1.185,3	0,0	0,0	0,0	0,0	22,2	79,4	169,0	477,0	-304,4	194,1	547,9	1.126,5

1) The negative sign of net central government deposits is due to the inclusion of the government loan amounting to £961,1 million. Following the prohibition of public sector financing by the Central Bank, as of July 2002, outstanding claims of the Central Bank on the government were converted to a loan with a maturity of 30 years, the repayment of which will commence in 2007.

**Table 11**  
**Interest rates**

(percentages per annum; period averages)

	2001	2002	2003	2003 Feb.	2003 Dec.	2004 Jan.	2004 Feb.
Interbank (1day)	4,93	3,42	3,35	3,31	3,31	3,10	3,03
Repos	6,39						
Reverse repos/depos	4,59	3,91	3,45	3,69	3,00	3,36	3,47
Treasury bills (13 weeks)	6,00	4,02	3,51			3,56	
Treasury bills (52 weeks)	6,35	4,30	3,70	3,84	3,68	3,87	
Development stocks (2 years)	6,11	4,56	3,83	4,07	3,99	4,37	4,53
Development stocks (5 years)	6,96	5,07	4,49	4,55	4,68	4,70	5,10
Development stocks (10 years)	7,66	5,37	4,70				5,17
Development stocks (15 years)	6,47	5,60	4,81				5,56

More specifically, in February the average interest rate for two and five-year bonds was 4,53% and 5,1%, respectively, as compared with 4,37% and 4,7%, respectively, in January. The average yield for ten and fifteen-year government bonds was 5,17% and 5,56%, respectively.

Table 12 gives a comparison of domestic long-term interest rates and EU rates. According to the latest data which refer to February, domestic long-term real interest rates remained below the corresponding rates in the EU, with a differential of 101 basis points. The latest 12-month average of long-term nominal interest rates was 4,79%.

**Table 12****Inflation and interest rates in Europe and Cyprus - February 2004***(latest 12-month average)*

	Inflation ( HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,50	4,19	2,69
Denmark	1,60	4,31	2,71
Germany	1,00	4,08	3,08
Greece	3,30	4,27	0,97
Spain	2,80	4,13	1,33
France	2,10	4,14	2,04
Ireland	3,50	4,13	0,63
Italy	2,70	4,26	1,56
Luxembourg	2,40	3,21	0,81
Netherlands	2,00	4,13	2,13
Austria	1,20	4,17	2,97
Portugal	2,90	4,19	1,29
Finland	1,10	4,13	3,03
Sweden	1,90	4,64	2,74
United Kingdom	1,30	4,67	3,37
Eurozone	2,00	4,17	2,17
EU -15	1,90	4,25	2,35
Cyprus	3,45	4,79	1,34

**International and domestic  
official interest rates**

The ECB, the Bank of England and the Federal Reserve maintained their official interest rates unchanged at their recent meetings. The Central Bank of Cyprus also maintained its interest rates unaltered when its Monetary Policy Committee met on 27 February.

Consequently, the official interest rate differential between Cyprus and the euro area remained at 150 basis points for both the marginal lending facility and the overnight deposit facility.

**Table 13**

**Official interest rates**

*(levels in percentages per annum; change in percentage points)*

		change
European Central Bank		
<i>(1 April 2004)</i>		
Minimum bid rate on the main refinancing operations	2,00	-
Interest rate on the marginal lending facility	3,00	-
Interest rate on the deposit facility	1,00	-
Bank of England		
<i>(4 March 2004)</i>		
Repo rate	4,00	-
Federal Reserve System		
<i>(16 March 2004)</i>		
Federal funds rate	1,00	-
Discount rate	2,00	-
Central Bank of Cyprus		
<i>(27 February 2004)</i>		
Minimum bid rate on the main refinancing operations	3,50	-
Interest rate on the marginal lending facility	4,50	-
Interest rate on the deposit facility	2,50	-

### Cyprus Stock Exchange (CSE)

The CSE General Price Index exhibited an upward trend in February with a decline towards the end of the month (chart 7). The political developments concerning the Cyprus issue was the main factor of its initial rise and its ultimate decline. More specifically, the index fluctuated in the range of 84,2 to 91,8 points. The average daily traded volume rose to £1,5 million from £0,9 million in January. The average daily number of

transactions increased to 1.352 in February from 834 in January. Nearly all sector indices rose during the period under review. The securities with the largest proportion of the traded volume in February were the shares of Bank of Cyprus and Laiki Bank, with corresponding proportions of 40,9% and 14%.

#### Graph 7

##### Cyprus Stock Exchange (CSE) General Index

January - February 2004

(29/3/1996=100, daily data)

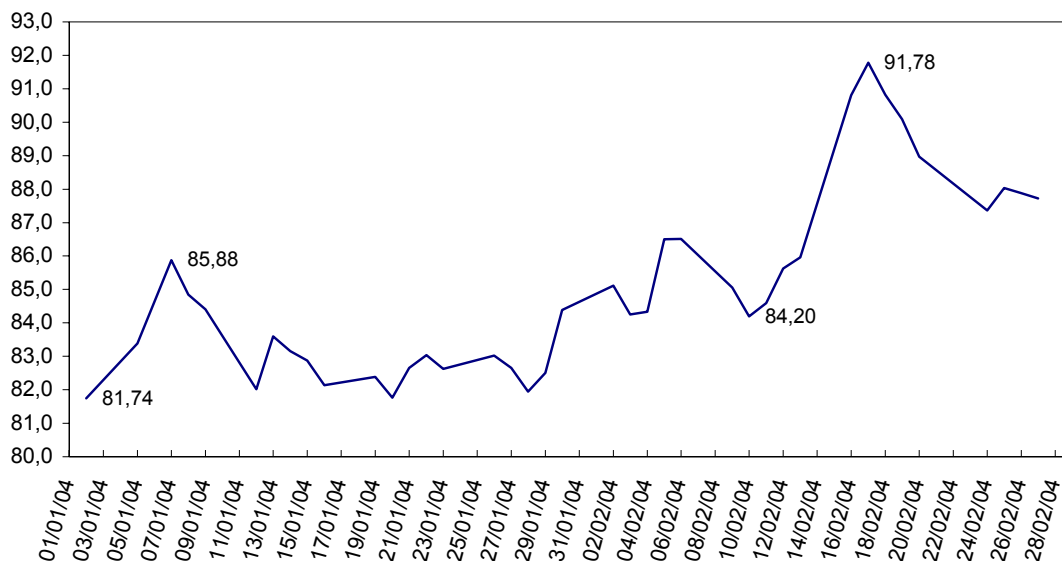


Table 14 shows that there was a decrease in net inflows to the CSE during February. More specifically, purchases of listed shares by non-

residents reached £1,3 million while sales were £0,3 million, as compared with £2,2 million and £0,6 million, respectively, in the previous month.

**Table 14**

**Investments by non-residents on the Cyprus Stock Exchange<sup>(1)</sup>**  
(CYP thousand)

	2002	2003				2004	
	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	
Purchases	50	672	193	495	2.235	1.295	
Sales	0	145	305	358	572	327	
Net investments	50	527	-112	137	1.663	968	

Source: Cyprus Stock Exchange

<sup>(1)</sup> The data for 2002 refer only to purchases and sales of shares not included in the dematerialisation process.



## 2.3 INFLATION

Prices increased by 1,86% in February, compared with an increase of 1,81% in the previous month and 4,44% in February 2003. As table 15 indicates, the small rise in the inflation rate in February, compared with the previous month, stemmed mainly from the acceleration in the prices of fuel and gas. In contrast, the prices of electricity and motor vehicles declined, whereas the prices of domestic agricultural products, industrial non-oil products and the prices of services decelerated.

Taking a more detailed look at domestic goods, in February 2004, a significant acceleration was registered in the prices of fuel and gas, which increased by 19,02% compared with an increase of 7,92% in January 2004. Fuel prices registered this increase due to the further increase in the excise tax on petroleum in mid-January 2004. The prices of domestic agricultural products rose by 2,12%, compared with an increase of 6,93% in the previous month. This deceleration was due to the increased rainfall which positively affected agriculture.

Prices of imported goods declined further by 5,97% in February 2004, after a 6,59% reduction in January 2004. In particular, the prices of motor vehicles fell by 15,43%. This fall reflects the reduction in excise taxes on various types of vehicles at the end of November 2003. The prices of other imported goods registered a small increase.

The prices of services increased by 2,64% in February 2004, compared with an increase of 2,90% in January 2004 and 4,62% in February 2003. This deceleration in the prices of services

is mainly attributed to the significant decrease in the prices of telecommunications, resulting from the process of liberalization and increased competition.

As a result of the aforementioned developments, inflation reached 1,84% in the first two months of 2004, from 4,27% in the same period of 2003. This decrease was mainly due to the significant deceleration in the prices of industrial non-oil products, fuel and gas, other imported goods (other than motor vehicles) and services. The decrease in the price of electricity and the further reduction in car prices also reduced inflation.

A more detailed analysis of developments on the inflation front by economic origin is given in tables 7 to 10 in the annex. Due to the dampening of the impact of tax measures implemented in 2003 and taking into consideration the significant reductions in the prices of motor vehicles, inflation is expected to decelerate to around 2% in 2004.

This projection is based on the framework of price analysis by economic origin, as presented above, and a set of technical assumptions. Specifically, it is assumed that oil prices will register a small decrease in 2004, from their current high level, and that agricultural product prices will register an average increase of 3% .

**Table 15****Consumer price index by economic origin***(annual percentage change)*

		2002	2003	February 2003/2002	January 2004/2003	February 2004/2003
	<b>All items</b>	<b>2,81</b>	<b>4,14</b>	<b>4,44</b>	<b>1,81</b>	<b>1,86</b>
<b>A</b>	<b>Domestic goods</b>	<b>4,35</b>	<b>7,30</b>	<b>8,57</b>	<b>4,80</b>	<b>4,88</b>
A.1	Agricultural	1,79	4,54	-0,15	6,93	2,12
A.2	Industrial	5,62	7,90	11,23	4,50	6,28
A.2.1	<i>Industrial, non-oil</i>	4,55	6,46	9,32	3,64	3,29
A.2.2	<i>Fuel and gas</i>	10,57	14,16	20,17	7,92	19,02
A.3	Electricity	-2,26	10,20	12,01	0,46	-3,12
<b>B</b>	<b>Imported goods</b>	<b>-1,69</b>	<b>-2,38</b>	<b>-3,39</b>	<b>-6,59</b>	<b>-5,97</b>
B.1	Motor vehicles	-5,07	-8,31	-11,78	-16,71	-15,43
B.2	Other imported goods	0,85	1,81	3,07	0,15	0,26
<b>C</b>	<b>Services</b>	<b>3,67</b>	<b>4,38</b>	<b>4,62</b>	<b>2,90</b>	<b>2,64</b>

It is also assumed that the Cyprus pound will remain strong in 2004, having a downward effect on inflation, through the prices of imported goods.

For comparison purposes, table 16 shows the latest available monthly data on inflation in Cyprus, the euro area and other industrial countries, as well as forecasts for 2004.

For this prediction to be realized it will also depend on the degree of implementation of harmonization tax reforms in 2004.

**Table 16****Inflation : Cyprus and other countries***(annual percentage change in consumer prices)*

	Inflation rate	month	forecast for 2004 <sup>(1)</sup>
Cyprus	1,8	Febr.	2,0 <sup>(2)</sup>
Euro area	1,6	Febr.	1,7
USA	1,7	Febr.	1,5
G.Britain	1,3	Febr.	1,5
Germany	0,9	Febr.	1,0
Italy	2,3	Febr.	2,3
Denmark	0,9	Febr.	1,5
France	1,8	Febr.	1,8
Austria	1,4	Febr.	1,1
Belgium	1,3	Febr.	1,4
Spain	2,1	Febr.	2,5
Sweden	0,8	Jan.	1,4
Switzerland	0,1	Febr.	0,5
Japan	-0,3	Jan.	-0,4
Canada	1,2	Jan.	1,5

*(1) Source: The Economist (20/3/04)**(2) Source: Central Bank of Cyprus*

## 2.4 DOMESTIC ECONOMY

In February 2004, tourist arrivals declined by 2,9%. In the labour market, the number of registered unemployed increased by 4,7% in the first two months of 2004, compared with 4% in the same period of 2003.

### *Production*

As regards the services sector, and in particular tourism, tourist arrivals in February and January 2004, decreased by 2,9% and 5,1%, respectively, compared with an increase of 8,4% and a reduction of 5,1% in February and January of 2003, respectively. Consequently, tourist arrivals registered a decrease of 3,8% in the first two months of 2004, compared with an increase of 9,1% in the same period of 2003. At the same time, receipts from tourism fell by 17,3% in the first two months of 2004, compared with an increase of 13,1% in the same period of 2003.

In the secondary sector, the picture remained mixed. On the one hand, construction continued to show positive signs, but on the other hand, manufacturing continued to show a downturn.

More specifically, the volume index of building permits authorised, which indicates prospects for the construction sector in the following few months, increased by 47,6% in December 2003, compared with a fall of 3,6% in the same month of 2002. The value index of building permits authorised rose by 41,3% in December, 2003, compared with a fall of 4,6% in the corresponding month of 2002. For 2003 the volume and value index of building permits authorised registered an increase of 14,8% and 17,1%, respectively, compared with an increase of 10,8% and 13,0%, respectively, in 2002.

Local sales of cement decreased by 10,6% in January 2004, compared with an increase of 18,5% in January 2003. For 2003, the sales of cement increased by 10,1% compared with an increase of 12,2% in the previous year.

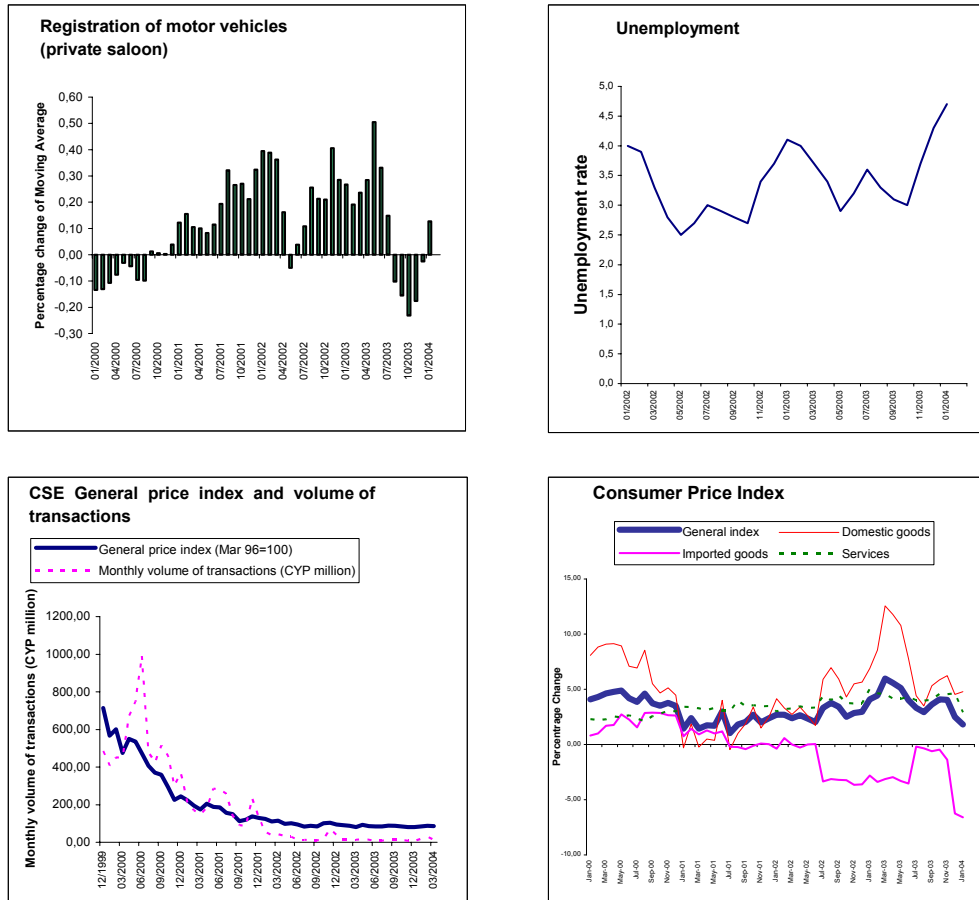
Manufacturing continued to present a negative picture since the volume index of manufacturing production fell by 39% in 2003, compared with a decrease of 2,4% in 2002 (table 18).

**Table 17**

**Manufacturing production volume index**

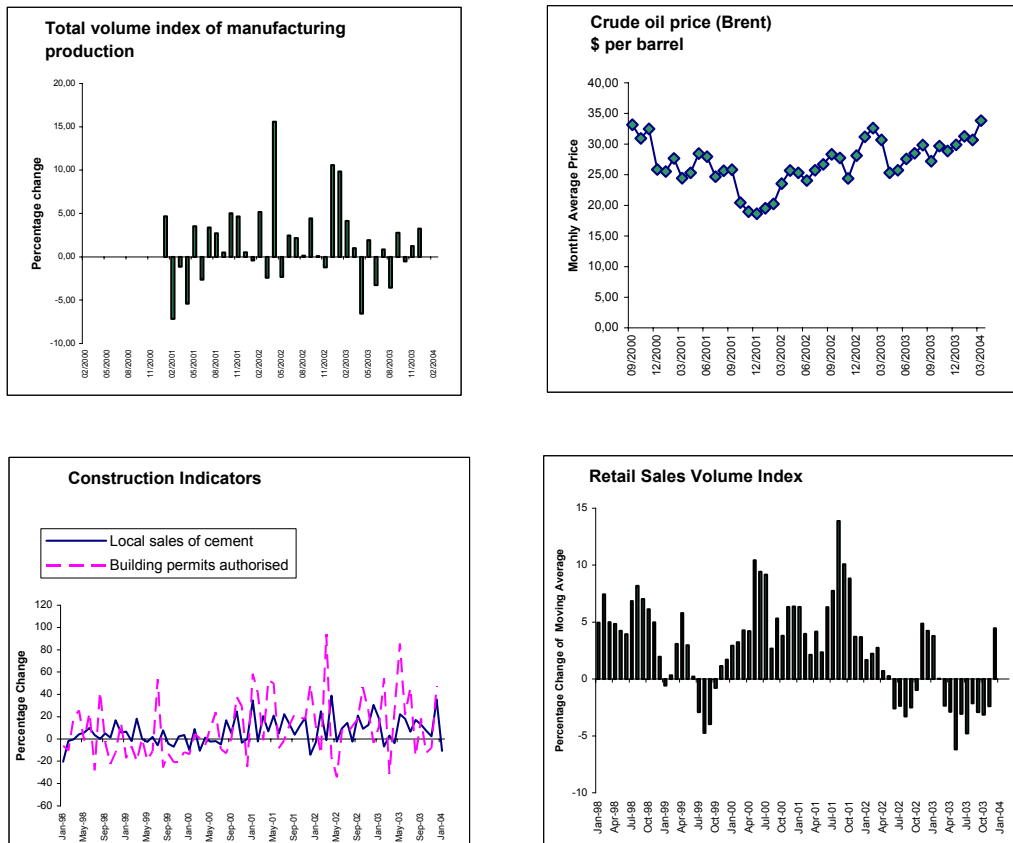
(% change by category)

	Dec. 02/01	Dec. 03/02	Jan.-Dec. 02/01	Jan.-Dec. 03/02
General index	<b>2,3</b>	<b>8,1</b>	<b>-2,4</b>	<b>-2,9</b>
Food products, beverages & tobacco	3,2	16,1	-8,2	1,3
Textiles & textile products	-26,5	4,8	-18,8	-22,2
Leather and leather products	-21,8	-42,8	-8,5	-42,5
Wood & wood products	11,0	25,0	2,0	2,7
Paper, paper products, publishing & printing	-6,3	1,9	-2,6	-0,7
Refined petroleum products	-11,1	-3,3	-6,0	-10,9
Chemicals, chemical products and man-made fibres	-9,8	24,7	1,8	-2,3
Rubber and plastic products	24,9	-5,8	5,9	-2,1
Other non-metallic mineral products	25,0	5,6	11,2	5,8
Basic metals & fabricated metal products	33,6	-3,8	11,3	-3,9
Machinery and equipment n.e.c.	-8,0	5,1	-3,7	-10,9
Electrical & optical equipment	-11,5	-8,6	-2,0	-13,5
Transport equipment	21,5	-14,0	23,8	1,1
Manufacturing n.e.c.	-4,8	13,6	-3,1	-6,8

**Graph 8**

### Consumption

The retail sales volume index declined by 2,7% in 2003, compared with an increase of 1% in the previous year. It is worth noting that in December the index rose by 1,2% compared with 11,8% in the corresponding month of the previous year.

**Graph 9**

Private saloon car registrations, which provide another important indicator of consumer behaviour, exhibited sizeable increases during the last few months. Following the reduction in excise taxes last November, the sales of cars increased drastically. More specifically, in

December 2003 and in January and February 2004, car registrations increased by 10,7%, 24,5% and 3%, respectively. For the first two months of 2004, car registrations increased by 13,6%.

Developments in non-oil imports for home consumption (excluding imports of military equipment) seem consistent with the sluggish domestic demand. These category of imports

declined by 2,3% in 2003, compared with an increase of 3,8% in 2002, while for January 2004 they increased by 2,8% compared with a decrease of 10,7% in January 2003.

**Table 18**  
**Retail sales volume index**  
*(percentage change by category)*

	Dec. 02/01	Dec. 03/02	Jan.- Dec. 02/01	Jan.-Dec. 03/02
General index	<b>11,8</b>	<b>1,2</b>	<b>1,0</b>	<b>-2,7</b>
Food, drinks and tobacco	-12,8	4,8	-8,2	-2,3
Clothing and textiles	3,8	-3,6	3,5	-0,2
Footwear & leather products	-0,8	12,8	-1,1	10,5
Electrical goods & appliances	12,5	4,0	3,3	-2,1
Vehicles, machinery & spare parts	70,0	-2,3	11,8	-9,2
Supermarkets	-18,0	3,4	-9,6	-5,9
Pharmacies	3,3	22,2	5,2	9,9
Furniture	83,6	-23,9	10,2	-10,2
Petrol stations	15,6	21,2	5,7	17,2
Toys	-28,1	-2,4	-3,3	-11,4

### **Confidence indicators**

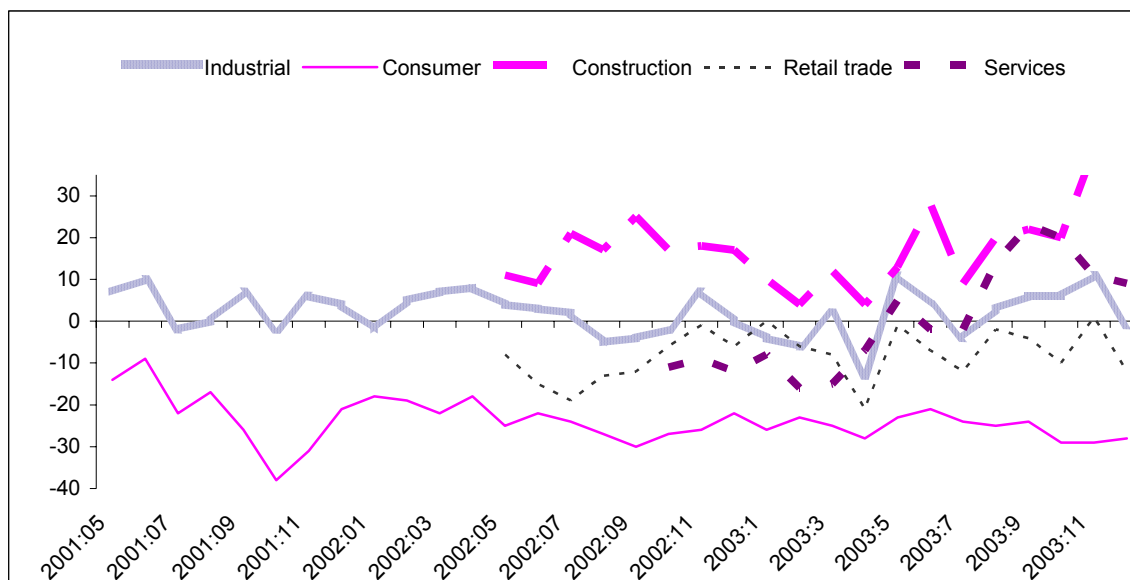
Chart 10 tracks the movement of confidence indicators for the Cypriot economy since May 2001, when the European Commission first started publishing them. The trends in these indicators are consistent with the overall picture of the Cypriot economy presented in this report. In particular, the construction confidence indicator registered an overall positive trend in 2003, which is consistent with the positive performance of the construction sector as portrayed by the volume and value indices of building permits and by cement sales. Although it declined somewhat in January 2004, the construction confidence indicator registered a small increase in February 2004.

The fluctuations observed in the services confidence indicator up until February 2004,

reflect the uncertainty of the services sector – primarily tourism. The consumer confidence indicator followed a negative course until February 2004.

This is compatible with the considerable deceleration in private consumption. The retail sales confidence indicator followed a negative path during 2003, while in January 2004 it registered a remarkable increase. However, in February 2004 this increase was reversed. Finally, the industrial confidence indicator registered fluctuations in 2003, while in the first two months of 2004 it registered a positive movement.



**Graph 10****Confidence indicators***(units, end of the month)***Labour market**

According to the latest available data for the labour market, the number of unemployed increased by 18,4% in February 2004, while the unemployment rate, as a percentage of the economically active population, reached 4,7% compared with 4% in the same month of the previous year. For the first two months of 2004, the number of registered unemployed increased by 17,6% compared with an increase of 3,3% in the same period of 2003, and the unemployment rate rose to 4,7% from 4% in the first two months of 2003. Rising unemployment has been observed since November 2001 and reflects the recorded slowdown in overall economic activity.

**Public finances**

According to data from the Ministry of Finance, the fiscal deficit reached £400,6 million in the first 11 months of 2003, from £200,6 million in the same period of 2002. Public revenue grew by 8% compared with an increase of 3,3% in the same period of the previous year. Public expenditure accelerated more rapidly, exhibiting a growth rate of 17,2% and thus led to the observed increase in the fiscal deficit in the period January – November. The Ministry of Finance expects the fiscal deficit to reach 6,3% of GDP in 2003.

### Overall assessment of the domestic economy in 2003

The Cypriot economy stabilized in 2003 with real GDP growth around 2%, the same as last year. As shown by the quarterly national accounts compiled by the Statistical Service for the 4<sup>th</sup> quarter of 2003, a small growth of 2,5% was recorded compared with the corresponding quarter of 2002. The main factors that affected

growth were the good performance of the construction, telecommunications, property management and electricity sectors. It is worth noting that the growth rates registered in Cyprus for 2002 and 2003, although subdued, are higher than in most European Union member states.

**Table 19**  
**Public finances summary**

	Jan.- Nov. 2002	Jan.-Nov. 2003	Jan.-Nov. 02/01	Jan.-Nov. 03/02
	<i>million</i>		<i>(% change)</i>	
<b>Total revenue and grants</b>	<b>1811,2</b>	<b>1957,0</b>	<b>3,3</b>	<b>8,0</b>
Direct taxes	530,3	463,8	-1,9	-12,5
Income tax	372,7	302,5	-5,1	-18,8
Indirect taxes	717,4	872,8	8,8	21,7
Value added tax	353,6	463,0	12,6	31,0
Excise taxes	650,9	831,6	9,0	27,8
Import duty	66,4	41,2	6,8	-38,0
Social security funds contributions	267,3	278,4	10,9	4,1
Other revenues	294,4	338,1	-5,2	14,9
Foreign grants	1,9	3,9	-99,9	108,7
<b>Total expenditure and net lending</b>	<b>2011,9</b>	<b>2357,6</b>	<b>7,3</b>	<b>17,2</b>
Current expenditure	1846,1	2135,0	8,5	15,6
Goods and services	820,9	927,2	11,7	12,9
Wages and salaries	506,3	614,6	7,2	21,4
Pensions and gratuities	107,8	136,9	15,9	27,0
Social pensions	22,8	23,4	-99,9	2,7
Other current transfers	271,8	346,5	14,0	27,5
Social security funds payments	290,6	315,1	13,9	8,4
Subsidies	57,1	89,8	-24,4	57,3
Interest	275,2	296,1	-2,5	7,6
Capital expenditure	155,2	209,0	-2,0	34,6
Investment	118,5	153,5	-0,2	29,5
Capital transfers	36,7	55,5	-7,4	51,0
Net lending	10,5	13,6	-99,9	28,8
<b>Fiscal surplus (+)/deficit(-)</b>	<b>-200,6</b>	<b>-400,6</b>	<b>65,8</b>	<b>99,6</b>

## 2.5 EXTERNAL TRANSACTIONS

### Goods

An overview of the trade balance for the first month of 2004 is given in table 20. The data are provisional.

Total imports rebounded in January 2004, with an increase of 5,6%, compared with a decrease of 10,4% in the same month of the previous year. Similarly, imports for home consumption rebounded with an increase of 6,4%, compared with a decrease of 15,3% in the same month of the previous year, while imports destined for re-exports registered a marginal increase of 1,1%, compared with an increase of 32,6% in January 2003.

Non-oil imports for home consumption excluding imports of military equipment rose by 2,8%, compared with a decrease of 10,7% in January 2003.

Turning to exports, the provisional data indicate a decrease in January 2004. Specifically, total exports decreased by 8,6% in January 2004, compared with a decrease of 18,4% in the same month of 2003. Re-exports declined by 10,4% in January 2004, compared with a decrease of 27,2% in the same month of 2003. In parallel, domestic exports fell by 13,3% in January 2004 compared with a 12,2% decrease in the same month of the previous year.

As a result of these developments, the crude trade deficit widened to £151 million in the first month of 2004 from £138,7 million in the same period of 2003.

Tables 21 and 22 present the latest available data on the breakdown of imports for home consumption and domestic exports, respectively, for the period up to December 2003.

Concerning imports for home consumption, table 21 shows that in 2003 imports of consumer goods declined by 0,5%, compared with an increase of 3,9% in 2002. Imports of intermediate inputs registered a marginal increase of 0,1%, compared with an increase of 0,8% in 2002. Imports of capital goods registered an increase of 5,7%, compared with a fall of 6% in 2002. It is worth noting that a strong rebound was observed in the sub-category of construction and mining as well as in the transport, storage and communication sector. Imports of transport equipment and parts thereof registered a sharp decrease of 18,9%, which is largely attributable to the purchase of aircraft valued at £22,4 million by Cyprus Airways in May 2002 and £20,1 million in July 2002. If these purchases are excluded the decrease in imports of transport equipment and parts thereof is reduced to 4,5%.

As regards domestic exports (table 22), in 2003 a sizeable increase in the exports of agricultural products was recorded, whereas exports of industrial products of manufacturing origin, including the exports of pharmaceuticals, fell by 10,2%. Exports of industrial products of agricultural origin also declined.

**Table 20****Trade balance data<sup>(1)</sup>***(Cyprus pounds in millions)*

	2002 Jan. - Dec.	2003 Jan. - Dec.	2002/2001 % change Jan. - Dec.	2003/2002 % change Jan. - Dec.	2003 Jan.	2004 Jan.	2003/2002 % change Jan.	2004/2003 % change Jan.
<b>Total imports (cif)</b>	2.486,6	2.301,6	-1,7	-7,4	170,5	180,0	-10,4	5,6
Imports for home consumption (cif)	2.256,5	2.094,0	3,7	-7,2	144,7	154,0	-15,3	6,4
<i>Non-oil civil imports for home consumption (cif)</i>	<i>1.882,1</i>	<i>1.839,5</i>	<i>3,8</i>	<i>-2,3</i>	<i>128,4</i>	<i>131,9</i>	<i>-10,7</i>	<i>2,8</i>
<i>Imports destined for re-exports</i>	<i>230,2</i>	<i>220,2</i>	<i>-34,6</i>	<i>-4,3</i>	<i>25,7</i>	<i>26,0</i>	<i>32,6</i>	<i>1,1</i>
<b>Total exports</b>	511,3	476,8	-18,6	-6,7	31,7	29,0	-18,4	-8,6
Domestic exports (fob)	221,9	205,9	-5,1	-7,2	15,0	13,0	-12,2	-13,3
Re-exports (fob)	247,1	224,5	-26,7	-9,1	14,5	13,0	-27,2	-10,4
Shipstores	42,3	46,4	-25,9	9,7	2,2	3,0	18,8	34,8
<b>Trade balance</b>	-1.975,4	-1.824,8	3,9	-7,6	-138,7	-151,0	-8,4	8,8

*(1) Figures for January 2004 are provisional*

**Table 21****Imports (cif) by economic destination***(Cyprus pounds in millions)*

	2001 Yearly Value	2002 Yearly Value	2003 Yearly Value	2002/2001 Annual % Change	2003/2002 Annual % Change
<b>Consumer goods</b>	<b>617,7</b>	<b>641,6</b>	<b>638,2</b>	<b>3,9</b>	<b>-0,5</b>
Non-durable	338,1	351,0	356,8	3,8	1,7
Semi-durable	170,4	178,0	172,6	4,5	-3,0
Durable	109,2	112,6	108,7	3,1	-3,5
<b>Intermediate inputs</b>	<b>710,3</b>	<b>715,8</b>	<b>716,4</b>	<b>0,8</b>	<b>0,1</b>
Agricultural	42,2	43,3	41,2	2,6	-4,8
Construction and mining	120,7	135,9	154,9	12,6	14,0
Manufacturing	421,8	419,3	416,8	-0,6	-0,6
Transport, storage and communication	29,4	26,2	23,3	-10,9	-11,1
Other sectors of the economy	96,2	91,1	80,2	-5,3	-12,0
<b>Capital goods</b>	<b>258,3</b>	<b>242,8</b>	<b>256,6</b>	<b>-6,0</b>	<b>5,7</b>
Agricultural	8,8	8,6	7,5	-2,3	-12,8
Construction and mining	20,6	21,2	23,8	2,9	12,3
Manufacturing	69,6	60,0	61,0	-13,8	1,7
Transport, storage and communication	52,3	45,8	62,4	-12,4	36,2
Other sectors of the economy	107,0	107,3	101,8	0,3	-5,1
<b>Transport equipment and parts thereof</b>	<b>226,6</b>	<b>281,5</b>	<b>228,3</b>	<b>24,2</b>	<b>-18,9</b>
of which:					
passenger cars	153,7	160,1	149,8	4,2	-6,4
spare parts	61,3	66,3	66,3	8,2	0,0
aircraft and parts	0,6	42,7	0,2		
<b>Fuels and lubricants</b>	<b>266,1</b>	<b>240,4</b>	<b>162,5</b>		
<b>Unclassified</b>	<b>97,9</b>	<b>134,3</b>	<b>92,1</b>		
<b>Imports for home consumption</b>	<b>2176,8</b>	<b>2256,4</b>	<b>2094,0</b>	<b>3,7</b>	<b>-7,2</b>
Imports destined for re-exports	351,9	230,2	207,6	-34,6	-9,8
<b>Total imports</b>	<b>2528,7</b>	<b>2486,6</b>	<b>2301,6</b>	<b>-1,7</b>	<b>-7,4</b>

*Memo item:**Non-oil civil imports for home consumption*

1813,0	1882,1	1839,5	3,8	-2,3
--------	--------	--------	-----	------

Source: Statistical Service of Cyprus

**Table 22****Exports (fob) by economic destination***(Cyprus pounds in millions)*

	2001 Yearly Value	2002 Yearly Value	2003 Yearly Value	2002/2001 Annual % Change	2003/2002 Annual % Change
<b>Agricultural products (raw)</b>	<b>43,8</b>	<b>36,9</b>	<b>43,6</b>	<b>-15,8</b>	<b>18,2</b>
<i>of which:</i>					
potatoes	17,5	11,1	15,1		
other vegetables					
fresh, frozen or dried	4,2	3,8	4,4		
citrus fruit	14,7	18,3	19,0		
<b>Minerals and industrial products of mineral origin</b>	<b>11,6</b>	<b>10,5</b>	<b>9,8</b>	<b>-9,5</b>	<b>-6,7</b>
<b>Industrial products of agricultural origin</b>	<b>28,0</b>	<b>32,9</b>	<b>32,7</b>	<b>17,5</b>	<b>-0,6</b>
<i>of which:</i>					
halloumi cheese	7,7	10,9	10,5		
fruit preserved	0,9	0,9	0,4		
fruit and vegetable juices	4,1	4,7	4,4		
beer	1,0	0,9	0,6		
wines	5,3	5,1	6,1		
meat	2,9	4,5	3,7		
<b>Industrial products of manufacturing origin</b>	<b>150,5</b>	<b>141,6</b>	<b>119,9</b>	<b>-5,9</b>	<b>-15,3</b>
<i>of which:</i>					
cigarettes	10,8	4,5	6,8		
cement	8,4	8,8	9,1		
pharmaceutical products	39,4	43,1	38,7	9,4	-10,2
articles of paper or of paperboard	6,0	5,5	5,6		
clothing	19,7	16,0	9,8		
footwear	3,8	3,2	1,4		
furniture	6,8	6,0	4,2		
	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>		
<b>Unclassified</b>					
<b>Domestic exports</b>	<b>233,9</b>	<b>221,9</b>	<b>205,9</b>	<b>-5,1</b>	<b>-7,2</b>
re-exports	337,0	247,1	224,5	-26,7	-9,1
shipstores	57,1	42,3	46,4	-25,9	9,6
<b>Total exports</b>	<b>628,0</b>	<b>511,3</b>	<b>476,8</b>	<b>-18,6</b>	<b>-6,7</b>

*Source: Statistical Service of Cyprus*

### ***Tourism***

Tourist arrivals decreased by 3,8% in January and February 2004 compared with the same period of the previous year (table 23).

Receipts from tourism fell by 17,3% in the first two months of 2004, compared with the same period of the previous year. It should be noted that in the period January – February 2003, an increase of 13,1% in receipts was recorded.

### ***Balance of payments prospects***

On the basis of the data on external transactions discussed in this Report, and in the context of the overall performance of the economy in 2003, the current account deficit is expected to narrow somewhat in 2003. Besides the downturn in tourism, the current account balance in 2002 was adversely affected by other non-recurrent factors, such as the purchase of aircraft by Cyprus Airways valued at a total of £42,5 million or 0,7% of GDP. The elimination of these factors in 2003 and the improvement of the terms of trade, owing to the strengthening of the Cyprus pound, are expected to lead to a decrease in the current account deficit as a percentage of GDP in 2003.

Balance of payments statistics for the first nine months of 2003 are shown in table 13 in the annex. These statistics have been compiled by the Statistics Department of the Central Bank of Cyprus, on the basis of the methodology recommended by the International Monetary Fund in its Fifth Edition of the Balance of Payments Manual (BPM5).

**Table 23****Tourist arrivals<sup>(1)</sup>***(number of persons)*

	2000	2001	2002	2003	2004	% change 2001/2000	% change 2002/2001	% change 2003/2002	% change 2004/2003
January	63.553	64.214	54.067	59.529	56.504	1,0	-15,8	10,1	-5,1
February	87.243	83.569	71.950	77.972	75.705	-4,2	-13,9	8,4	-2,9
March	135.487	137.578	138.625	91.634		1,5	0,8	-33,9	
April	221.785	237.228	180.481	169.891		7,0	-23,9	-5,9	
May	299.355	324.901	279.070	231.527		8,5	-14,1	-17,0	
June	302.011	322.835	293.192	262.100		6,9	-9,2	-10,6	
July	362.299	373.385	327.404	318.143		3,1	-12,3	-2,8	
August	356.686	371.536	301.724	325.390		4,2	-18,8	7,8	
September	329.964	329.400	306.731	287.358		-0,2	-6,9	-6,3	
October	300.597	269.744	275.840	271.980		-10,3	2,3	-1,4	
November	133.500	107.454	111.327	123.800		-19,5	3,6	11,2	
December	93.722	74.887	77.822	83.919		-20,1	3,9	7,8	
Jan.-Feb.	150.796	147.783	126.017	137.501	132.209	-2,0	-14,7	9,1	-3,8
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.243		0,4	-10,3	-4,8	

*Source: Statistical Service of Cyprus**(1) Arrivals of same - day visitors are not included***Table 24****Receipts from tourism<sup>(1)</sup>***(Cyprus pounds in millions)*

	2000	2001	2002	2003	2004	% change 2003/2002	% change 2004/2003
January		24,9	21,6	25,6	21,8	18,8	-15,0
February		29,1	28,9	31,4	25,4	8,9	-19,1
March		49,7	59,2	37,8		-36,1	
April		89,9	77,0	67,1		-12,9	
May		139,1	119,5	92,5		-22,6	
June	122,9	157,4	139,3	114,8		-17,6	
July	162,7	192,0	160,7	152,4		-5,2	
August	173,7	205,0	153,8	165,3		7,5	
September	161,9	176,3	157,4	134,1		-14,8	
October	135,1	130,2	128,0	112,4		-12,2	
November	54,1	48,8	51,4	48,7		-5,3	
December	36,2	29,2	35,6	32,9		-7,6	
Jan.-Feb.		54,0	50,5	57,1	47,2	13,1	-17,3
Jan. - Dec.		1.271,6	1.132,4	1.015,1		-10,4	

*Source: Statistical Service of Cyprus**(1) Receipts from same - day visitors are not included*



### **3. ANNEX**

**Table 1****Official interest rates***(levels in percentages per annum)*

With effect from <sup>(1)</sup> (date of decision)		Deposit facility	Main refinancing operations				Marginal lending facility
			Variable rate tenders			Fixed rate tenders	
			Repo	Reverse repo	Acceptance of deposits	Acceptance of deposits	
			Minimum bid rate	Maximum bid rate	Maximum bid rate	Fixed rate	
2001	10 Aug.	3,50		5,00			6,50
	18 Sep.	3,00		4,50			6,00
	02 Nov.	2,50			4,00	4,00	5,50
2002	13 Dec.	2,50			3,75	3,75	5,00
2003	04 Apr.	2,50			3,50	3,50	4,50

(1) The date refers to the overnight deposit and marginal lending facilities. For main refinancing operations, changes in the rate are effective from the first operation following the date indicated.

**Table 2****Main refinancing operations allotted through tenders <sup>(1)</sup>***(Cyprus pounds millions; interest rates in percentages per annum)*

Date of settlement		Bids (amount)	Allotment (amount)	Variable rate tenders				Fixed rate tenders	Running for (...) days
				Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate	Fixed rate	
2003	05 June	161,0	130,0	3,50	3,41	3,38	3,50		14
	19 June	173,0	140,0	3,50	3,38	3,34	3,43		14
	03 July	146,0	110,0	3,50	3,36	3,33	3,39		14
	17 July	141,0	120,0	3,50	3,32	3,28	3,38		14
	31 July	210,0	150,0	3,50	3,29	3,27	3,31		14
	14 Aug.	173,0	140,0	3,50	3,25	3,24	3,27		14
	28 Aug.	182,0	160,0	3,50	3,34	3,20	3,50		14
	11 Sep.	232,0	200,0	3,50	3,43	3,35	3,50		14
	25 Sep.	139,0	139,0	3,50	3,48	3,44	3,50		14
	09 Oct.	167,0	130,0	3,50	3,47	3,40	3,50		14
	23 Oct.	151,0	100,0	3,50	3,35	3,34	3,38		14
	06 Nov.	213,0	140,0	3,50	3,41	3,29	3,50		14
	20 Nov.	114,0	70,0	3,50	3,19	3,19	3,19		14
	04 Dec.	128,0	70,0	3,50	3,11	3,09	3,14		7
	11 Dec.	45,0	30,0	3,50	3,01	2,99	3,04		7
	18 Dec.	53,0	40,0	3,50	2,84	2,84	2,84		15
2004	05 Jan.	200,0	180,0	3,50	3,38	3,25	3,45		10
	15 Jan.	263,5	200,0	3,50	3,37	3,27	3,44		6
	22 Jan.	169,8	169,8	3,50	3,31	3,24	3,43		7
	29 Jan.	177,5	160,0	3,50	3,47	3,36	3,50		14
	12 Feb.	198,0	170,0	3,50	3,47	3,41	3,50		14
	26 Feb.	202,0	190,0	3,50	3,47	3,41	3,50		14
	11 Mar.	201,0	150,0	3,50	3,47	3,42	3,50		7
	18 Mar.	165,0	100,0	3,50	3,37	3,33	3,39		15

(1) Since 9 October 2001, the main refinancing operations for the absorption of liquidity are conducted through auctions for the acceptance of deposits.

**Table 3****Money market interest rates***(percentages per annum; period averages)*

		Cyprus					Euro area				
		Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2003	Jan.	3,25	2,75	3,37	-	4,00	2,79	2,86	2,83	2,76	2,71
	Feb.	3,31	-	3,63	3,90	-	2,76	2,77	2,69	2,58	2,50
	Mar.	3,79	-	3,55	3,88	4,05	2,75	2,60	2,53	2,45	2,41
	Apr.	3,36	3,45	3,68	-	-	2,56	2,58	2,54	2,47	2,45
	May	3,56	-	3,56	3,70	3,96	2,56	2,52	2,41	2,32	2,26
	June	3,42	3,38	3,63	3,67	-	2,21	2,18	2,15	2,08	2,01
	July	3,19	-	3,49	3,75	-	2,08	2,13	2,13	2,09	2,08
	Aug.	3,09	-	3,41	3,57	-	2,10	2,12	2,14	2,17	2,28
	Sep.	3,35	3,60	3,46	3,66	-	2,02	2,13	2,15	2,18	2,26
	Oct.	3,18	3,42	3,56	3,58	3,90	2,01	2,10	2,14	2,17	2,30
	Nov.	3,34	3,54	3,55	3,70	4,00	1,97	2,09	2,16	2,22	2,41
	Dec.	3,31	3,60	3,50	3,65	-	2,06	2,13	2,15	2,20	2,38
2004	Jan.	3,10	-	3,52	-	3,25	2,02	2,08	2,09	2,12	2,22
	Feb.	3,03	-	3,57	3,86	4,18					

*Sources: Central Bank of Cyprus and European Central Bank*

**Table 4****Bank interest rates** <sup>(1, 2)</sup>*(percentages per annum)*

	Lending rates					Deposit rates		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5000	1 year fixed deposits - over CYP5000
2002 Jan.	7,12	7,12	8,03	7,00	10,00	0,92	4,00	4,95
Feb.	7,12	7,12	8,12	7,08	10,50	0,93	4,03	4,95
Mar.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
Apr.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
May	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
June	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
July	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
Aug.	6,98	7,16	7,90	7,21	10,50	0,83	4,42	4,85
Sept.	6,98	7,16	7,90	7,21	10,50	0,84	4,37	4,88
Oct.	7,15	7,33	7,90	7,21	10,50	0,84	4,37	4,88
Nov.	7,15	7,33	7,90	7,21	10,50	0,83	4,40	4,84
Dec.	6,98	6,88	7,52	6,78	10,33	0,66	3,80	4,56
2003 Jan.	7,40	7,32	7,70	6,78	10,50	0,71	3,85	4,43
Feb	7,22	7,21	7,70	6,78	10,50	0,65	3,84	4,40
Mar	7,23	7,22	7,70	6,78	10,50	0,68	3,85	4,37
Apr	6,77	6,74	7,13	6,18	10,50	0,45	3,33	3,68
May	6,66	6,68	7,10	6,18	10,50	0,45	3,34	3,64
June	6,76	6,72	7,20	6,18	10,50	0,45	3,33	3,60
July	6,97	6,98	7,40	6,30	10,50	0,42	3,34	3,57
Aug.	6,92	6,90	7,40	6,30	10,50	0,40	3,34	3,55
Sep	6,92	6,90	7,40	6,30	10,50	0,46	3,34	3,52
Oct.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,50
Nov.	6,92	6,90	7,53	6,30	10,50	0,42	3,35	3,48
Dec.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,45
2004 Jan.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,43
Feb	6,92	6,90	7,53	6,30	10,50	0,45	3,35	3,42

*(1) Reported as end of month.**(2) Data refer to the average of the representative interest rates as defined by the three largest banks.*

**Table 5****European Monetary Financial Institutions (MFI) interest rates***(percentages per annum, outstanding amounts as end-of-period)***1. Interest rates on euro-denominated deposits by euro area residents**

	Deposits from households					Deposits from non-financial corporations		
	Overnight	With agreed maturity		Redeemable at notice <sup>(1)</sup>		Overnight	With agreed maturity	
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years
2003 Jan.	0,89	2,63	3,60	2,33	3,27	1,18	2,81	4,64
Feb.	0,91	2,55	3,68	2,32	3,23	1,20	2,73	4,73
Mar.	0,87	2,44	3,54	2,28	3,19	1,15	2,60	4,66
Apr.	0,84	2,38	3,54	2,29	3,14	1,12	2,52	4,62
May	0,84	2,33	3,47	2,23	3,10	1,08	2,50	4,50
June	0,76	2,17	3,47	2,21	3,01	1,00	2,25	4,45
July	0,68	2,07	3,43	2,12	2,93	0,88	2,23	4,40
Aug.	0,68	2,03	3,42	1,97	2,88	0,89	2,19	4,26
Sep.	0,69	2,00	3,44	1,98	2,85	0,87	2,23	4,33

**2. Interest rates on euro-denominated loans by euro area residents**

		Loans to households					Loans to non-financial corporations		
		Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity	
		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years
2003 Jan.	5,52	5,41	5,58	8,59	7,51	6,24	5,25	4,83	5,19
Feb.	5,48	5,43	5,62	8,69	7,53	6,23	5,18	4,82	5,25
Mar.	5,46	5,36	5,55	8,64	7,42	6,17	5,00	4,68	5,11
Apr.	5,40	5,26	5,49	8,53	7,45	6,11	4,89	4,61	5,03
May	5,33	5,22	5,44	8,52	7,34	6,09	4,83	4,56	4,94
June	5,30	5,13	5,39	8,47	7,37	6,03	4,72	4,46	4,90
July	5,21	5,07	5,31	8,36	7,27	5,96	4,60	4,32	4,80
Aug.	5,11	4,99	5,25	8,31	7,23	6,07	4,53	4,21	4,74
Sep.	5,05	4,95	5,24	8,33	7,26	6,00	4,55	4,19	4,75

Source: European Central Bank

(1) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.

**Table 6****Calendar of interest rate announcements in 2004**

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
European Central Bank <sup>(1)</sup>	8 2,00	5 2,00	4 2,00	1 2,00	6	3	1	5	2	7	4	2
Bank of England <sup>(2)</sup>	8 3,75	5 4,00	4 4,00	8	6	10	8	5	9	7	4	9
Federal Reserve System <sup>(3)</sup>	27/28 1,00		16 1,00		4	29/30		10	21		10	14
Central Bank of Cyprus <sup>(4)</sup>	16 4,50	27 4,50		7	21		9		3	22		3

(1) Minimum bid rate on the main refinancing operations

(2) Repo rate

(3) Federal funds rate

(4) Interest rate on the marginal lending facility

**Table 7**

**Percentage change in the consumer price index by economic origin (%)**  
**2002 - 2004**

			Quarterly			Feb.	Jan.	Feb.	Jan. -	Jan.	Jan. -	Weights 1998=100
	2002	2003	2003 II	2003 III	2003 IV	2003/ 2002	2004/ 2003	2004/ 2003	Feb. 2003/ 2002	2004/ 2003	Feb. 2004/ 2003	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>4,90</b>	<b>3,31</b>	<b>3,54</b>	<b>4,44</b>	<b>1,81</b>	<b>1,86</b>	<b>4,27</b>	<b>1,81</b>	<b>1,84</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>4,35</b>	<b>7,30</b>	<b>10,11</b>	<b>4,41</b>	<b>5,54</b>	<b>8,57</b>	<b>4,80</b>	<b>4,88</b>	<b>7,72</b>	<b>4,80</b>	<b>4,84</b>	<b>36,69</b>
A.1 Agricultural	1,79	4,54	5,95	6,87	6,04	-0,15	6,93	2,12	-4,54	6,93	4,48	7,93
A.2 Industrial	5,62	7,90	10,86	3,60	5,50	11,23	4,50	6,28	11,56	4,50	5,39	27,24
A.2.1 industrial non-petroleum	4,55	6,46	7,30	4,36	5,29	9,32	3,64	3,29	9,24	3,64	3,47	22,91
A.2.2 fuel and gas	10,57	14,16	27,59	0,57	6,39	20,17	7,92	19,02	22,26	7,92	13,30	4,33
A.3 Electricity	-2,26	10,20	16,93	6,57	4,41	12,01	0,46	-3,12	12,40	0,46	-1,32	1,52
<b>B IMPORTED GOODS</b>	<b>-1,69</b>	<b>-2,38</b>	<b>-3,26</b>	<b>-0,38</b>	<b>-2,69</b>	<b>-3,39</b>	<b>-6,59</b>	<b>-5,97</b>	<b>-3,10</b>	<b>-6,59</b>	<b>-6,28</b>	<b>22,20</b>
B.1 Motor Vehicles	-5,07	-8,31	-11,28	-1,75	-8,12	-11,78	-16,71	-15,43	-11,28	-16,71	-16,07	9,43
B.2 Other Imported	0,85	1,81	2,70	0,53	0,84	3,07	0,15	0,26	3,20	0,15	0,21	12,77
<b>C SERVICES</b>	<b>3,67</b>	<b>4,38</b>	<b>4,20</b>	<b>4,01</b>	<b>4,58</b>	<b>4,62</b>	<b>2,90</b>	<b>2,64</b>	<b>4,81</b>	<b>2,90</b>	<b>2,77</b>	<b>41,11</b>
<b>HICP</b>	<b>2,8</b>	<b>4,0</b>	<b>4,8</b>	<b>2,8</b>	<b>3,2</b>	<b>4,8</b>	<b>1,6</b>	<b>1,4</b>	<b>4,7</b>	<b>1,4</b>	<b>1,5</b>	
<b>Euro area inflation</b>	<b>2,3</b>	<b>2,1</b>	<b>1,9</b>	<b>2,0</b>	<b>2,0</b>	<b>2,4</b>	<b>1,9</b>	<b>1,6</b>	<b>2,3</b>	<b>1,9</b>	<b>1,8</b>	

**Table 8**

**Weighted contribution to the total change in the consumer price index by economic origin (%)**  
**2002 - 2004**

			Quarterly			Feb. 2003/ 2002	Jan. 2004/ 2003	Feb. 2004/ 2003	Jan. - Feb. 2003/ 2002	Jan. 2004/ 2003	Jan. - Feb. 2004/ 2003	Weights 1998=100
	2002	2003	2003 II	2003 III	2003 IV							
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>4,90</b>	<b>3,31</b>	<b>3,54</b>	<b>4,44</b>	<b>1,81</b>	<b>1,86</b>	<b>4,27</b>	<b>1,81</b>	<b>1,84</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>1,64</b>	<b>2,79</b>	<b>3,82</b>	<b>1,69</b>	<b>2,17</b>	<b>3,20</b>	<b>1,86</b>	<b>1,89</b>	<b>2,89</b>	<b>1,86</b>	<b>1,88</b>	<b>36,69</b>
A.1 Agricultural	0,15	0,37	0,48	0,53	0,48	-0,01	0,56	0,18	-0,41	0,56	0,37	7,93
A.2 Industrial	1,53	2,22	3,02	1,03	1,60	2,98	1,28	1,78	3,07	1,28	1,53	27,24
A.2.1 industrial non-petroleum	1,02	1,47	1,67	1,00	1,24	2,04	0,83	0,75	2,01	0,83	0,79	22,91
A.2.2 fuel and gas	0,51	0,74	1,35	0,03	0,36	0,94	0,45	1,02	1,05	0,45	0,74	4,33
A.3 Electricity	-0,05	0,20	0,32	0,13	0,09	0,23	0,01	-0,06	0,24	0,01	-0,03	1,52
<b>B IMPORTED GOODS</b>	<b>-0,35</b>	<b>-0,48</b>	<b>-0,67</b>	<b>-0,07</b>	<b>-0,52</b>	<b>-0,70</b>	<b>-1,27</b>	<b>-1,14</b>	<b>-0,64</b>	<b>-1,27</b>	<b>-1,20</b>	<b>22,20</b>
B.1 Motor Vehicles	-0,46	-0,69	-0,99	-0,14	-0,62	-1,06	-1,28	-1,17	-1,01	-1,28	-1,23	9,43
B.2 Other Imported	0,10	0,21	0,32	0,06	0,10	0,36	0,02	0,03	0,37	0,02	0,02	12,77
<b>C SERVICES</b>	<b>1,52</b>	<b>1,83</b>	<b>1,75</b>	<b>1,69</b>	<b>1,90</b>	<b>1,94</b>	<b>1,22</b>	<b>1,11</b>	<b>2,01</b>	<b>1,22</b>	<b>1,16</b>	<b>41,11</b>



**Table 9**

**Percentage change in the consumer price index by category of goods and services (%)**  
**2002 - 2004**

			Quarterly			Feb. 2003/ 2002	Jan. 2004/ 2003	Feb. 2004/ 2003	Jan. - Feb. 2003/ 2002	Jan. 2004/ 2003	Jan. - Feb. 2004/ 2003	Weights 1998=100
	2002	2003	2003 II	2003 III	2003 IV							
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>4,90</b>	<b>3,31</b>	<b>3,54</b>	<b>4,44</b>	<b>1,81</b>	<b>1,86</b>	<b>4,27</b>	<b>1,81</b>	<b>1,84</b>	<b>100,00</b>
Food & non-alcoholic beverages	4,58	5,11	5,72	5,42	5,26	4,15	6,10	3,68	2,21	6,10	4,89	18,20
Alcoholic beverages & tobacco	13,32	24,22	27,05	12,37	24,53	35,22	13,78	13,47	35,15	13,78	13,62	1,78
Clothing and footwear	-3,46	1,19	1,13	1,32	1,34	1,42	-1,70	-2,21	0,81	-1,70	-1,95	8,22
Housing, water, electricity and gas	4,08	5,04	6,21	3,93	4,46	4,81	3,85	4,45	5,25	3,85	4,15	21,27
Furnishings, household equipment and supplies	0,81	3,59	6,31	1,46	1,34	5,09	-0,55	-0,23	5,17	-0,55	-0,39	7,08
Health	4,70	5,66	4,51	5,49	5,36	7,31	3,33	3,60	7,54	3,33	3,47	4,92
Transport	0,39	0,35	1,39	0,32	-1,81	0,09	-7,50	-4,79	0,75	-7,50	-6,14	17,42
Communication	-8,81	-7,16	-9,56	-11,04	3,98	-11,01	2,34	-8,75	-11,17	2,34	-3,20	1,79
Recreation & culture	2,20	3,55	4,41	2,14	2,83	4,80	1,45	1,69	4,84	1,45	1,57	5,88
Education	5,71	4,02	4,49	3,84	3,28	4,49	3,25	3,25	4,49	3,25	3,25	2,33
Restaurants & hotels	3,97	5,31	5,82	4,37	4,59	6,58	3,41	3,50	6,65	3,41	3,46	6,07
Miscellaneous goods and services	5,49	5,50	5,91	4,36	4,43	7,17	4,48	4,61	7,66	4,48	4,54	5,04

**Table 10**

**Weighted contribution to the total change in the consumer price index by category of goods and services (%)**  
**2002 - 2004**

			Quarterly			Feb.	Jan.	Feb.	Jan. -	Jan.	Jan. -	Weights
	2002	2003	2003 II	2003 III	2003 IV	2003/ 2002	2004/ 2003	2004/ 2003	Feb. 2003/ 2002	2004/ 2003	Feb. 2004/ 2003	
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>4,90</b>	<b>3,31</b>	<b>3,54</b>	<b>4,44</b>	<b>1,81</b>	<b>1,86</b>	<b>4,27</b>	<b>1,81</b>	<b>1,84</b>	<b>100,00</b>
Food & non-alcoholic beverages	0,86	0,97	1,08	1,01	0,99	0,81	1,16	0,72	0,43	1,16	0,94	18,20
Alcoholic beverages & tobacco	0,27	0,54	0,58	0,30	0,59	0,72	0,36	0,35	0,71	0,36	0,36	1,78
Clothing and footwear	-0,25	0,08	0,08	0,08	0,10	0,09	-0,10	-0,14	0,05	-0,10	-0,12	8,22
Housing, water, electricity and gas	0,88	1,10	1,35	0,87	0,98	1,05	0,85	0,98	1,15	0,85	0,92	21,27
Furnishings, household equipment and supplies	0,05	0,23	0,41	0,10	0,09	0,33	-0,04	-0,01	0,33	-0,04	-0,03	7,08
Health	0,25	0,30	0,24	0,29	0,28	0,39	0,18	0,20	0,40	0,18	0,19	4,92
Transport	0,07	0,06	0,24	0,05	-0,30	0,02	-1,26	-0,79	0,13	-1,26	-1,03	17,42
Communication	-0,13	-0,09	-0,13	-0,15	0,05	-0,15	0,03	-0,10	-0,15	0,03	-0,04	1,79
Recreation & culture	0,12	0,19	0,24	0,12	0,15	0,26	0,08	0,09	0,26	0,08	0,09	5,88
Education	0,14	0,10	0,11	0,10	0,08	0,11	0,08	0,08	0,11	0,08	0,08	2,33
Restaurants & hotels	0,26	0,35	0,38	0,29	0,30	0,43	0,23	0,24	0,44	0,23	0,23	6,07
Miscellaneous goods and services	0,28	0,29	0,31	0,23	0,24	0,37	0,24	0,25	0,40	0,24	0,24	5,04

**Table 11****Cyprus Stock Exchange: purchase of listed shares by non-residents<sup>(1)</sup>***(CYP thousand)*

Geographic origin of non-resident investors	2002 Jan.	2002 Feb.	2002 Mar.	2002 Apr.	2002 May	2002 June	2002 July	2002 Aug.	2002 Sep.	2002 Oct.	2002 Nov.	2002 Dec.	2002 Jan.-Dec.	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 June	2003 July	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.	2003 Jan-Dec
<b>EUROPE</b>	<b>632,9</b>	<b>102,3</b>	<b>149,0</b>	<b>305,0</b>	<b>164,4</b>	<b>110,9</b>	<b>347,6</b>	<b>50,6</b>	<b>34,2</b>	<b>396,2</b>	<b>122,9</b>	<b>74,7</b>	<b>2.490,6</b>	<b>40,2</b>	<b>41,1</b>	<b>141,0</b>	<b>146,2</b>	<b>202,4</b>	<b>457,5</b>	<b>347,9</b>	<b>507,5</b>	<b>2.018,5</b>	<b>531,6</b>	<b>166,0</b>	<b>414,3</b>	<b>5.014,3</b>
European Union <sup>(2)</sup>	595,9	98,5	147,3	305,0	151,7	100,3	347,6	47,8	30,8	390,7	105,9	71,4	2.392,8	37,0	32,2	140,2	135,5	200,1	456,6	345,2	506,3	2.013,0	529,5	165,4	414,3	4.975,2
Germany	15,7	0,0	4,8	19,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,9	42,9	15,9	13,6	27,8	32,0	49,1	12,2	5,6	19,3	5,5	0,9	0,0	0,0	181,8
Greece	368,9	59,2	116,2	268,5	134,2	90,1	301,3	24,0	18,4	88,0	58,0	55,4	1.582,5	8,8	13,1	73,1	22,2	106,0	34,9	331,6	431,0	1.991,7	523,2	154,5	411,1	4.101,0
United Kingdom	208,9	35,0	26,3	16,0	12,3	10,2	46,3	23,8	11,9	301,4	37,5	13,1	742,6	12,3	5,5	37,8	81,3	45,0	409,5	5,8	52,0	13,0	5,5	10,9	0,1	678,7
Acceding countries <sup>(3)</sup>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,5	0,0	5,2	13,6	3,0	24,4	0,0	0,0	0,0	0,5	0,3	0,0	0,0	0,0	0,0	1,4	0,0	0,0	2,2
Other European countries	37,0	3,8	1,6	0,0	12,7	10,6	0,0	0,3	3,4	0,3	3,3	0,2	73,4	3,2	8,9	0,8	10,2	2,0	1,0	2,7	1,2	5,6	0,7	0,6	0,0	36,8
Russian Federation	22,1	3,0	0,6	0,0	11,5	8,9	0,0	0,3	2,4	0,0	1,2	0,2	50,2	0,4	2,4	0,7	10,0	2,0	0,3	1,8	0,0	0,0	0,2	0,0	0,0	17,9
<b>AFRICA</b>	<b>139,8</b>	<b>130,4</b>	<b>68,4</b>	<b>94,3</b>	<b>68,7</b>	<b>7,9</b>	<b>39,2</b>	<b>10,7</b>	<b>31,9</b>	<b>17,1</b>	<b>158,3</b>	<b>26,1</b>	<b>792,6</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>137,1</b>	<b>127,0</b>	<b>14,0</b>	<b>5,6</b>	<b>284,1</b>
North African countries	0,0	0,5	2,0	0,0	0,0	0,0	0,0	0,0	0,0	1,2	2,9	0,0	6,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	139,8	129,9	66,4	94,3	68,7	7,9	39,2	10,7	31,9	15,8	155,4	26,1	786,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	137,1	127,0	14,0	5,6	284,1
South Africa	139,1	122,7	61,8	94,3	68,7	7,9	39,2	10,7	31,9	15,8	155,4	26,1	773,6	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,5
<b>AMERICA</b>	<b>82,4</b>	<b>84,1</b>	<b>11,6</b>	<b>75,4</b>	<b>30,6</b>	<b>0,0</b>	<b>3,5</b>	<b>22,2</b>	<b>2,0</b>	<b>16,1</b>	<b>5,8</b>	<b>4,3</b>	<b>338,0</b>	<b>4,7</b>	<b>0,7</b>	<b>0,0</b>	<b>4,6</b>	<b>56,4</b>	<b>3,0</b>	<b>54,5</b>	<b>83,1</b>	<b>21,3</b>	<b>9,8</b>	<b>13,1</b>	<b>51,8</b>	<b>303,0</b>
North American countries	15,3	7,4	2,3	75,4	22,7	0,0	2,7	22,2	1,0	0,0	1,5	0,0	150,3	0,0	0,0	0,0	0,0	0,4	3,0	4,3	29,9	17,4	9,8	13,1	51,8	129,7
United States of America	14,8	0,0	0,5	35,6	22,7	0,0	2,7	7,3	1,0	0,0	0,0	0,0	84,4	0,0	0,0	0,0	0,0	0,4	3,0	4,3	28,0	17,4	7,7	13,1	51,8	125,7
Central American countries	67,1	76,7	9,3	0,0	7,9	0,0	0,8	0,0	1,1	16,1	4,3	4,3	187,6	4,7	0,7	0,0	4,6	56,0	0,0	50,2	53,1	4,0	0,0	0,0	0,0	173,3
British Virgin Islands	67,1	76,7	9,3	0,0	6,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	159,0	0,0	0,0	0,0	4,6	55,7	0,0	50,2	49,1	0,0	0,0	0,0	0,0	159,6
South American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>ASIA</b>	<b>9,2</b>	<b>3,7</b>	<b>9,7</b>	<b>3,2</b>	<b>9,2</b>	<b>0,0</b>	<b>42,3</b>	<b>1,7</b>	<b>4,4</b>	<b>2,9</b>	<b>18,3</b>	<b>7,4</b>	<b>112,1</b>	<b>0,2</b>	<b>1,4</b>	<b>0,8</b>	<b>2,8</b>	<b>3,4</b>	<b>0,0</b>	<b>4,6</b>	<b>2,6</b>	<b>4,2</b>	<b>4,2</b>	<b>0,0</b>	<b>0,0</b>	<b>24,1</b>
West Asia	9,2	3,7	9,7	3,2	9,2	0,0	42,3	0,6	4,0	2,9	17,3	6,4	108,5	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	4,2	4,2	0,0	0,0	23,3
Lebanon	0,0	0,0	0,5	0,3	1,6	0,0	42,3	0,6	3,7	2,9	17,3	3,8	73,0	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	3,8	3,7	0,0	0,0	22,4
Other Asian countries	0,0	0,1	0,0	0,0	0,0	0,0	0,0	1,1	0,5	0,0	1,0	1,0	3,6	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8
<b>OCEANIA</b>	<b>0,0</b>	<b>0,0</b>	<b>1,8</b>	<b>0,0</b>	<b>0,6</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>2,4</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,4</b>	<b>0,0</b>	<b>0,0</b>	<b>1,7</b>	<b>0,9</b>	<b>0,8</b>	<b>0,0</b>	<b>0,0</b>	<b>23,0</b>	<b>26,8</b>
<b>Total</b>	<b>864,3</b>	<b>320,5</b>	<b>240,4</b>	<b>478,0</b>	<b>273,4</b>	<b>118,8</b>	<b>432,6</b>	<b>85,2</b>	<b>72,5</b>	<b>432,3</b>	<b>305,2</b>	<b>112,5</b>	<b>3.735,6</b>	<b>45,6</b>	<b>43,2</b>	<b>141,8</b>	<b>153,9</b>	<b>262,2</b>	<b>460,5</b>	<b>408,7</b>	<b>594,1</b>	<b>2.181,9</b>	<b>672,5</b>	<b>193,1</b>	<b>494,7</b>	<b>5.652,2</b>

<sup>(1)</sup> Purchase of shares included in the central securities depository as well as shares not included in the central securities depository.<sup>(2)</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom<sup>(3)</sup> The countries (other than Cyprus) acceding to the European Union on 1 May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)

**Table 12****Cyprus Stock Exchange: sale of listed shares by non-residents<sup>(1)</sup>***(CYP thousand)*

Geographic origin of non-resident investors	2002 Jan.	2002 Feb.	2002 Mar.	2002 Apr.	2002 May	2002 June	2002 July	2002 Aug.	2002 Sep.	2002 Oct.	2002 Nov.	2002 Dec.	2002 Jan-Dec	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 June	2003 July	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.	2003 Jan-Dec
<b>EUROPE</b>	<b>214,4</b>	<b>99,1</b>	<b>168,5</b>	<b>70,2</b>	<b>23,9</b>	<b>374,1</b>	<b>174,1</b>	<b>24,6</b>	<b>20,4</b>	<b>18,0</b>	<b>73,7</b>	<b>24,3</b>	<b>1.285,1</b>	<b>14,9</b>	<b>12,0</b>	<b>36,9</b>	<b>35,0</b>	<b>9,9</b>	<b>70,9</b>	<b>24,3</b>	<b>112,6</b>	<b>96,9</b>	<b>137,3</b>	<b>292,9</b>	<b>355,7</b>	<b>1.199,3</b>
European Union <sup>(2)</sup>	178,8	87,2	164,5	38,4	23,3	372,6	172,2	24,6	18,3	12,9	54,1	18,9	1.165,7	14,9	11,4	36,5	34,7	9,2	66,4	24,3	106,6	63,2	135,3	290,9	355,7	1.148,9
Germany	0,0	0,0	0,0	0,0	0,0	1,5	0,0	0,0	0,0	0,0	2,7	0,0	4,2	0,0	0,0	0,0	0,3	0,0	0,0	0,0	7,7	0,7	22,0	0,0	0,0	30,8
Greece	24,5	72,8	139,9	36,5	15,5	169,6	166,4	24,3	15,8	8,5	37,5	18,4	729,7	14,7	9,5	23,6	11,8	3,7	55,3	11,6	91,5	44,0	29,4	238,6	345,7	879,3
United Kingdom	154,4	14,4	19,4	1,8	4,0	201,4	2,6	0,3	1,3	0,0	11,1	0,5	411,2	0,3	1,9	12,8	22,6	4,3	11,1	8,6	5,1	14,8	81,6	47,1	6,1	216,1
Acceding countries <sup>(3)</sup>	4,9	1,8	0,0	0,0	0,0	0,0	0,0	0,0	2,1	4,5	19,0	5,4	37,7	0,0	0,0	0,2	0,0	0,6	0,0	0,0	0,0	0,2	0,0	2,0	0,0	3,0
Other European countries	30,7	10,2	4,0	31,8	0,6	1,5	1,9	0,0	0,0	0,6	0,6	0,0	81,8	0,0	0,6	0,3	0,3	0,1	4,6	0,0	6,0	33,5	2,0	0,0	0,0	47,4
Russian Federation	23,2	10,1	2,6	31,7	0,0	1,0	1,9	0,0	0,0	0,6	0,0	0,0	71,1	0,0	0,2	0,0	0,0	0,0	2,9	0,0	0,0	0,4	0,0	0,0	0,0	3,5
<b>AFRICA</b>	<b>46,8</b>	<b>158,3</b>	<b>9,7</b>	<b>23,4</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,4</b>	<b>61,5</b>	<b>4,6</b>	<b>0,0</b>	<b>305,8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>2,6</b>	<b>12,4</b>	<b>2,1</b>	<b>17,1</b>
North Africa	0,0	0,9	0,5	0,0	0,0	0,0	0,0	0,0	1,4	0,0	4,6	0,0	7,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	46,8	157,3	9,2	23,4	0,0	0,0	0,0	0,0	0,0	61,5	0,0	0,0	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,6	12,4	2,1	17,1
South Africa	46,8	157,3	9,2	23,4	0,0	0,0	0,0	0,0	0,0	61,5	0,0	0,0	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>AMERICA</b>	<b>241,7</b>	<b>97,3</b>	<b>78,1</b>	<b>0,6</b>	<b>11,4</b>	<b>6,5</b>	<b>0,8</b>	<b>2,4</b>	<b>0,0</b>	<b>1,4</b>	<b>10,0</b>	<b>9,6</b>	<b>459,8</b>	<b>3,9</b>	<b>1,1</b>	<b>6,3</b>	<b>0,0</b>	<b>0,0</b>	<b>3,4</b>	<b>0,0</b>	<b>2,4</b>	<b>4,0</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>21,6</b>
North American countries	202,1	97,2	78,1	0,0	10,8	0,0	0,1	2,4	0,0	0,0	2,6	0,0	393,3	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2	0,0	0,0	0,0	3,7
United States	202,1	97,2	78,1	0,0	10,8	0,0	0,0	2,1	0,0	0,0	2,2	0,0	392,5	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2	0,0	0,0	0,0	3,7
Central American countries	39,6	0,1	0,0	0,6	0,6	6,5	0,8	0,0	0,0	1,4	7,4	9,6	66,5	3,9	1,1	6,3	0,0	0,0	0,0	0,0	2,4	3,8	0,5	0,0	0,0	18,0
British Virgin Islands	39,6	0,1	0,0	0,0	0,0	3,3	0,0	0,0	0,0	0,0	0,0	0,0	42,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
South American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>ASIA</b>	<b>0,0</b>	<b>1,7</b>	<b>0,0</b>	<b>0,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,6</b>	<b>0,2</b>	<b>0,8</b>	<b>0,3</b>	<b>11,6</b>	<b>0,0</b>	<b>15,4</b>	<b>0,3</b>	<b>0,9</b>	<b>0,7</b>	<b>0,0</b>	<b>0,3</b>	<b>0,0</b>	<b>1,3</b>	<b>1,8</b>	<b>4,4</b>	<b>4,8</b>	<b>0,0</b>	<b>0,0</b>	<b>14,6</b>
West Asia	0,0	1,7	0,0	0,0	0,0	0,0	0,6	0,2	0,8	0,3	11,6	0,0	15,2	0,3	0,9	0,7	0,0	0,3	0,0	1,3	1,8	4,4	4,8	0,0	0,0	14,6
Lebanon	0,0	1,7	0,0	0,0	0,0	0,0	0,6	0,2	0,8	0,1	11,6	0,0	15,0	0,3	0,2	0,7	0,0	0,3	0,0	1,3	1,8	4,4	4,8	0,0	0,0	13,9
Other Asian countries	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>OCEANIA</b>	<b>0,4</b>	<b>2,5</b>	<b>1,0</b>	<b>0,6</b>	<b>2,5</b>	<b>0,0</b>	<b>7,6</b>	<b>0,4</b>	<b>0,0</b>	<b>1,2</b>	<b>0,0</b>	<b>0,0</b>	<b>16,3</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total</b>	<b>503,3</b>	<b>359,0</b>	<b>257,3</b>	<b>94,9</b>	<b>37,8</b>	<b>380,6</b>	<b>183,1</b>	<b>27,6</b>	<b>22,7</b>	<b>82,4</b>	<b>99,8</b>	<b>33,9</b>	<b>2.082,4</b>	<b>19,2</b>	<b>14,0</b>	<b>43,9</b>	<b>35,0</b>	<b>10,2</b>	<b>74,4</b>	<b>25,6</b>	<b>116,8</b>	<b>105,3</b>	<b>145,3</b>	<b>305,3</b>	<b>357,8</b>	<b>1.252,6</b>

<sup>(1)</sup> Sale of shares included in the central securities depository as well as shares not included in the central securities depository.<sup>(2)</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom<sup>(3)</sup> The countries (other than Cyprus) acceding to the European Union on 1 May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)

**Table 13**
**Balance of payments**  
 (CYP million)

CATEGORIES	2002 (Annual)			2003 1st quarter			2003 2nd quarter			2003 3rd quarter		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	3.676,7	4.007,6	-330,9	649,7	876,0	-226,3	880,4	949,2	-68,8	1.237,2	1.052,9	184,2
GOODS, SERVICES AND INCOME	3.537,3	3.908,3	-371,0	622,8	861,2	-238,4	860,1	929,6	-69,5	1.173,9	1.023,6	150,3
GOODS AND SERVICES	3.226,5	3.632,6	-406,0	567,9	814,2	-246,3	829,2	865,5	-36,3	1.126,8	944,2	182,6
GOODS	514,4	2.253,4	-1.739,0	113,6	483,1	-369,5	134,0	527,4	-393,5	123,8	530,1	-406,3
General merchandise	469,0	2.238,0	-1.769,1	103,1	481,8	-378,7	120,0	524,2	-404,2	110,7	528,9	-418,1
Repairs on goods	3,1	15,3	-12,2	0,6	1,3	-0,7	0,0	2,9	-2,9	0,1	0,7	-0,6
Goods procured in ports by carriers	42,3	0,0	42,3	9,9	0,0	9,9	14,0	0,3	13,6	13,0	0,5	12,4
Non-monetary gold	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
SERVICES	2.712,1	1.379,2	1.333,0	454,3	331,1	123,2	695,2	338,1	357,2	1.003,0	414,1	588,9
Transport	528,3	538,2	-9,9	103,5	149,2	-45,6	129,1	152,1	-23,0	243,0	189,0	53,9
Sea transport	269,0	377,2	-108,3	71,2	100,1	-28,9	76,4	99,3	-22,9	129,8	101,1	28,7
Passenger transport on sea	1,6	1,2	0,4	0,3	0,3	-0,1	0,2	1,3	-1,2	0,4	0,7	-0,3
Freight transport on sea	67,7	165,7	-98,0	11,2	37,2	-26,0	15,1	38,8	-23,7	53,2	39,2	14,1
Supporting, auxiliary and other services	199,6	210,4	-10,7	59,8	62,6	-2,8	61,1	59,1	2,0	76,2	61,3	14,9
Air transport	259,4	161,0	98,4	25,4	47,6	-22,2	52,2	41,0	11,2	78,6	50,7	28,0
Passenger transport by air	129,7	42,2	87,5	10,5	18,2	-7,7	21,6	8,3	13,3	39,3	11,9	27,4
Freight transport by air	17,1	82,9	-65,8	2,3	17,9	-15,6	4,3	19,4	-15,1	10,8	19,6	-8,8
Supporting, auxiliary and other services	112,6	35,8	76,7	12,6	11,6	1,1	26,2	13,3	12,9	28,5	19,1	9,4
Other transportation	0,0	0,0	0,0	6,9	1,4	5,5	0,5	11,8	-11,3	34,6	37,3	-2,7
Passenger	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Freight	0,0	0,0	0,0	0,0	0,8	-0,8	0,0	0,4	-0,4	0,1	0,4	-0,3
Other services	0,0	0,0	0,0	6,9	0,7	6,2	0,5	11,4	-10,9	34,5	36,9	-2,4
Travel	1.156,8	319,0	837,9	103,1	76,6	26,5	278,7	58,8	219,9	460,6	105,5	355,1
Business travel	57,6	12,3	45,3	10,5	2,9	7,6	14,7	1,1	13,7	13,1	2,1	11,1
Personal travel	1.099,2	306,7	792,5	92,6	73,8	18,8	264,0	57,7	206,2	447,4	103,4	344,0
Communications services	22,3	39,2	-16,8	1,5	7,1	-5,7	1,8	7,7	-6,0	5,1	9,2	-4,2
Construction services	47,6	4,3	43,3	15,1	3,6	11,5	19,2	1,0	18,2	20,5	0,8	19,6
Insurance services	17,1	19,2	-2,1	3,0	4,4	-1,5	3,4	4,1	-0,6	5,7	6,1	-0,4
Financial services	91,3	40,0	51,3	13,7	2,5	11,3	11,8	7,8	4,1	30,7	6,0	24,7
Computer and information services	140,6	131,9	8,7	18,1	3,7	14,4	3,7	3,2	0,4	12,3	2,5	9,7
Royalties and licence fees	1,5	9,3	-7,8	0,7	3,0	-2,3	2,7	2,4	0,3	2,3	1,7	0,6
Other business services	521,8	205,2	316,6	146,6	64,5	82,1	195,6	82,8	112,8	177,3	75,8	101,5
Merchandising and other trade-related services	165,0	128,8	36,2	50,1	49,7	0,4	98,5	69,6	28,9	78,9	61,7	17,2
Operational leasing	25,5	5,3	20,2	5,3	3,6	1,7	5,3	1,0	4,3	10,2	1,5	8,7
Miscellaneous business, professional and technical services	331,3	71,2	260,2	91,2	11,3	79,9	91,7	12,1	79,6	88,2	12,6	75,6
Personal, cultural and recreational services	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Government services, n.i.e.	8,9	8,1	0,7	1,5	2,4	-0,9	1,0	2,4	-1,4	1,1	2,6	-1,5
Services not allocated	175,9	64,7	111,1	47,5	14,1	33,4	48,3	15,8	32,5	44,6	14,7	29,9
	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
CATEGORIES	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
INCOME	310,7	275,7	35,0	54,9	47,0	7,9	30,9	64,1	-33,2	47,1	79,4	-32,4
Compensation of employees	8,7	29,7	-21,0	3,8	10,3	-6,4	1,7	11,1	-9,4	4,1	13,4	-9,4
Investment Income	302,0	246,0	56,0	51,1	36,7	14,4	29,2	53,0	-23,8	43,0	66,0	-23,0
Of which:	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reinvested earnings	82,8	68,7	14,1	20,0	0,2	19,8	13,0	35,2	-22,3	13,0	30,8	-17,8
Portfolio investment income	77,4	49,3	28,1	9,9	20,4	-10,5	6,8	0,2	6,6	8,8	12,5	-3,7
CURRENT TRANSFERS	139,5	99,3	40,1	26,9	14,8	12,0	20,3	19,6	0,7	63,3	29,3	34,0
General government	16,1	1,1	15,0	3,2	0,2	3,0	3,2	0,2	2,9	7,5	0,4	7,0
Other sectors	123,4	98,2	25,1	23,6	14,6	9,1	17,1	19,3	-2,2	55,8	28,9	26,9
CAPITAL AND FINANCIAL ACCOUNT			300,3			222,0			104,4			-174,8
Capital Account	13,6	16,7	-3,1	3,8	2,2	1,6	6,1	2,0	4,2	6,2	3,2	2,9
Financial Account			303,4			220,4			100,2			-177,7
Direct Investment			187,5			5,6			29,1			107,1
Abroad			-176,4			-38,0			-43,0			-49,5
In Cyprus			364,0			43,6			72,1			156,6
Portfolio Investment			-277,7			-100,1			-160,3			135,3
Assets			-397,4			-82,2			-169,7			-11,8
Liabilities			119,7			-17,9			9,4			147,1
Financial Derivatives			-31,1			-4,4			6,2			10,4
Other Investment			661,7			113,8			104,0			-378,0
Assets			1.318,3			-145,5			-166,3			-279,6
Liabilities			-656,6			259,3			270,3			-98,4
Reserve Assets			-237,0			205,5			121,2			-52,5
NET ERRORS AND OMISSIONS			30,6			4,4			-35,6			-9,5