



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

MONETARY
POLICY
REPORT

JUNE 2003



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The Monetary Policy Report is drafted by the Economic Research Department of the Central Bank of Cyprus as an overview of current economic developments in Cyprus, in preparation for the meeting - normally held monthly - of the Monetary Policy Committee. The Report is available in Greek on the website the day following the meeting and in English two weeks later.

**CENTRAL BANK OF CYPRUS, 2003
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1. INTRODUCTION

The optimism about encouraging prospects for a global rebound that the leaders of the eight richest countries (G8) tried to convey was undermined by recent negative economic data for the euro area. Moreover, the appreciation of the euro, combined with the decline of inflation in May to a level below 2,0%, enhanced fears that the European economy, and more generally the international economy, may slide into deflation and recession. As a stimulant to the euro area economy, the European Central Bank reduced official interest rates by 0,5 percentage point on 5 June. Sveriges Riksbank also reduced its official interest rates by 0,5 percentage point, whereas the Bank of England maintained its key interest rate unchanged.

In contrast to the developments in the euro area, domestic inflation, under the influence of increases in indirect taxes, recorded a rise in comparison to the previous year. In the first four months of 2003, domestic inflation reached 5,03%, compared with 2,60% in the same period of 2002. This development reflected to a large extent the increase in the value added tax (VAT) standard rate, from 10,0% to 13,0% effective 1 July 2002 and then to 15,0% effective 1 January 2003. In April, the inflation rate decreased somewhat to 5,58%, from 5,97% in the previous month. The analysis of inflation by product category indicates that this decrease stemmed first from the considerable deceleration in the prices of domestic agricultural products and second from the slight deceleration in the prices of industrial non-oil goods as well as services. The decrease in inflation was moderated by the acceleration in the prices of fuel and gas, as well as electricity.

As regards prospects for 2003, taking into account the influence of the increase in the VAT standard rate and of changes in excise taxes, as well as the cumulative effect of the automatic indexation of wages, inflation is expected to range around 4,5% for the year as a whole, compared with 2,81% in 2002.

In the monetary sector, the growth rate of bank credit to the private sector in the first four months of 2003 remained well below the rate recorded in the same period of the previous year. In particular, the annual growth rate of credit to the private sector stood at 8,0% in April 2003, compared with 8,2% in March 2003 and 9,7% in April 2002. The proportion of credit in foreign currency to total credit remained unchanged at 10,6% in April. In parallel, surplus bank liquidity conditions persisted in the money market, and in May, for the first time this year, they were enhanced by foreign exchange inflows. Hence, in order to maintain interest rates consistent with its anti-inflationary policy, the Central Bank of Cyprus, continued to intervene in the money market through liquidity-absorbing auctions (depos), incurring the associated cost.

Concerning tourism, the recovery in tourist arrivals that started in October 2002 continued until February 2003. This recovery, however, reflected base effects with the sharp decline in tourism that followed the events of 11 September 2001. In the first two months of 2003, tourist arrivals increased by 9,1%, compared with a fall of 14,7% in the same period of 2002. In parallel, receipts from tourism rose by 13,1% in the first two months of 2003. In March and April 2003, this rising trend was overturned with the outbreak

of the war in Iraq, and tourist arrivals fell by 33,9% and 5,9%, respectively. For the period from January to April, tourist arrivals registered a decrease of 10,4%, and receipts from tourism fell by 13,2%.

As regards external trade, provisional data show that total imports fell by 14,9% in the first two months of 2003, compared with a rise of 12,0% in the same period of 2002. Non-oil imports for home consumption excluding imports of military equipment also declined, but at a lower rate. In parallel, total exports fell by 11,8% in the first two months of 2003, primarily on account of the fall in re-exports. As a result of these developments, the crude trade deficit stood at £251,0 million in the first two months of 2003, compared with £297,7 million in the corresponding period of 2002.

Concerning private consumption, the retail sales volume index registered no change in the first quarter of 2003, compared with an increase of 2,2% in the first quarter of 2002. The sluggish course of the retail sales volume index is consistent with the decline in the growth rate of retail sales of cars in the same period.

Turning to the labour market, the number of registered unemployed increased in May 2003, thereby continuing the upward trend that has been observed since November 2001. The

unemployment rate reached 3,0% of the economically active population in May 2003, compared with 2,6% in the same month of 2002. In the secondary sector of the economy, both positive and negative developments were again recorded. On the one hand, manufacturing continued to decline in the first two months of 2003, and on the other hand, the performance of construction remained generally encouraging. In particular, in the first months of the year, both the volume and value indices of building permits registered sizeable increases, while cement sales increased at a lower rate.

As regards public finances, according to data from the Ministry of Finance, the fiscal deficit increased to £84,1 million in the first two months of 2003, from £19,1 million in the corresponding period of 2002. Public revenue grew by 17,9%, compared with a decrease of 10,5% in the first two months of 2002, while public expenditure accelerated considerably, with a growth rate of 39,0%, leading to the sizeable increase in the fiscal deficit in the period from January to February 2003.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

After a period of continuous economic growth and inflationary pressures, the low growth rates of recent years seem to cause problems of deflation in the global economy. Japan has been suffering from this phenomenon for the past decade, and there are fears that the United States and Europe may follow. Deflation is mainly attributable to overcapacity, as industries had grown to satisfy the increasing demand up to 2000. A possible slippage to deflation, which would cause a rise in the real cost of borrowing and a postponement of consumption expenditure, might result in economic contraction.¹ Moreover, the SARS epidemic has persisted, with a negative impact on Asian countries and the economy of the continent, in general. As regards major capital markets, signs of a recovery have been recorded recently.

In the **United States**, the fear of deflation became even more serious, as consumer prices declined by 0,3% in April and core inflation fell to its lowest level in the last 37 years. Services prices, including prices in the health sector, were an exception. Unemployment increased to 6,0% in April, from 5,8% in the previous month. However, the University of Michigan consumer sentiment index rose from 86,0 points in April to 92,1 points in May. With regard to equity values, the Dow Jones, S&P 500 and

Nasdaq indices continued their upward trend. After marginal increases in March, these indices rose by 9,0%, 12,0%, and 17,4%, respectively, in the two-month period from April to May.

In the **euro area**, the picture of the economy is not brighter. Germany's GDP registered a contraction of 0,9% in the first quarter of 2003, and unemployment rose to 10,7% in April, from 9,6% in the same month of the previous year. The German Ifo business confidence index increased to 87,6 points in May, from 86,6 in April. As far as inflation is concerned, the Governing Council of the European Central Bank announced that "in the pursuit of price stability it will aim to maintain inflation rates close to 2,0% over the medium term", apparently in an effort to guard against the risks of deflation. It is worth mentioning that inflation in the euro area declined to 1,9% in May and the European Central Bank reduced its official interest rates by 0,5 percentage point on 5 June, in an effort to stimulate the economy. Equity values in Germany and France, as reflected by the DAX and CAC 40 indices, rose by 21,7% and 13,5%, respectively, in the period from 1 April to 30 May, while in Italy the BCI index rose by 14,8%.

¹ Some economists believe that the United States are already experiencing deflation, since improvements in the quality of goods are undervalued and thus the consumer price index overestimates price increases. Other economists, however, argue that this suggests that GDP is also underestimated and that mild deflation, like mild inflation, does not have adverse effects.

In the **United Kingdom**, inflation as measured on the basis of the retail price index (RPIX) remained at 3,0% in April, for the third consecutive month, exceeding the Bank of England's 2,5% target. Industrial production registered a contraction of 0,8% in March, whereas GDP grew by 0,3% in the first quarter of 2003. The FTSE 100 stock price index rose by 12,0% in the period from 1 April to 30 May 2003.

After three consecutive quarters of positive growth, the economy of **Japan** registered zero growth in the first quarter of 2003. In this climate, the Japanese government, in co-operation with the Bank of Japan, activated the mechanisms for

rescuing the banking system from financial crisis, injecting large amounts of capital, in excess of JPY 2,0 trillion. The interdependence of banks and the insurance sector entails further risks for the stability of the country's banking system, as investors may react with massive cancellations of insurance contracts, dragging down the value of bank shares. In the equity market, the Nikkei 225 index increased by 5,5% in the period from 1 April to 30 May.

In the crude oil market, a slight price increase was recorded. Specifically, the average price of Brent crude oil increased from USD 25,33 per barrel in April, to USD 25,71 in May.

Table 1**GDP projections***(annual percentage change)¹*

| | 2001 ⁴ | The Economist Poll GDP forecasts ² | | | | Lehman Brothers Weekly Outlook - GDP ³ | | | International Monetary Fund World Economic Outlook ⁴ | | |
|-----------|-------------------|--|-----------|-----------|--|--|-----------|-----------|--|-----------|------|
| | | 2002 | 2003 | 2004 | | 2002 | 2003 | 2004 | 2002 | 2003 | 2004 |
| Britain | 2,0 | 2,2 (1,7) | 1,8 (1,9) | 2,4 (2,5) | | 1,8 | 1,7 (2,0) | 2,7 (2,2) | 1,6 (1,7) | 2,0 (2,4) | 2,5 |
| Japan | -0,3 | 0,5 (-0,3) | 0,7 | 0,8 | | 0,2 (0,3) | 1,3 (1,5) | 1,0 | 0,3 (-0,5) | 0,8 (1,1) | 1,0 |
| USA | 0,3 | 2,5 (2,4) | 2,2 | 3,2 (3,3) | | 2,4 | 2,3 | 3,3 | 2,4 (2,2) | 2,2 (2,6) | 3,6 |
| Euro area | 1,4 | 1,1 (0,7) | 1,1 (1,0) | 2,1 | | 0,8 | 0,7 (1,0) | 1,5 (1,8) | 0,8 (0,9) | 1,1 (2,3) | 2,3 |
| World | 2,3 | | | | | 1,5 | 1,6 (1,7) | 2,3 | 3,0 (2,8) | 3,2 (3,7) | 4,1 |

¹ Figures in parentheses indicate the corresponding previous month projection, in case of change.

In the case of the IMF, the figures indicate its projections in September 2002.

² The Economist, 31 May 2003.³ Lehman Brothers Global Weekly Economic Monitor, 30 May 2003.⁴ International Monetary Fund, World Economic Outlook, April 2003.**Table 2****Major share indices***(closing prices)*

| | 2002 | 2003 | | | |
|------------|---------|---------|---------|------------|------------|
| | 31 Dec. | 1 Apr. | 30 May | % change | |
| | | | | Jan. - May | Apr. - May |
| USA | | | | | |
| Dow Jones | 8.332,9 | 7.992,1 | 8.711,2 | 4,5 | 9,0 |
| S&P 500 | 879,4 | 848,2 | 949,6 | 8,0 | 12,0 |
| Nasdaq | 1.339,5 | 1.341,2 | 1.575,0 | 17,6 | 17,4 |
| Germany | | | | | |
| DAX | 2.892,6 | 2.450,2 | 2.982,7 | 3,1 | 21,7 |
| France | | | | | |
| CAC 40 | 3.063,9 | 2.635,0 | 2.991,8 | -2,4 | 13,5 |
| Italy | | | | | |
| BCI | 1.091,9 | 1.009,5 | 1.159,3 | 6,2 | 14,8 |
| Britain | | | | | |
| FTSE 100 | 3.940,4 | 3.613,3 | 4.048,1 | 2,7 | 12,0 |
| Japan | | | | | |
| Nikkei 225 | 8.714,1 | 7.986,7 | 8.424,5 | -3,3 | 5,5 |

Source: Reuters

Table 3**Main economic indicators***(percentage change)*

| | GDP | | | | Industrial production March (annual) | Retail sales March (annual) | Unemployment March (annual) | Inflation ¹ March (annual) |
|-----------|----------------------------|------------------------|----------------------------|------------------------|---|--------------------------------------|-----------------------------------|---|
| | 2002 Q4 (quarterly)* | 2002 Q4 (annual) | 2003 Q1 (quarterly)* | 2003 Q1 (annual) | | | | |
| Britain | 1,7 | 2,2 | 0,3 | 2,2 | -0,8 | 2,7 ² | 5,1 ⁴ | 3,0 ² |
| Japan | 2,2 | 2,8 | 0,0 | 2,7 | 3,6 ² | -0,8 | 5,4 | -0,1 |
| USA | 1,4 | 2,9 | 1,6 | 2,1 | -0,4 ² | 4,6 | 6,0 ² | 2,2 ² |
| Euro area | 0,7 | 1,3 | 0,0 | 0,8 | -0,3 | 0,7 ³ | 8,7 | 2,1 ² |

*Source: The Economist, 31 May 2003.*¹ Based on the Consumer Price Index with the exception of Britain which is based on the Retail Price Index (RPIX).² Data of April 2003.³ Data of February 2003.⁴ January - March 2003.

* percentage change on previous quarter at an annualised rate.

International currencies

The euro strengthened significantly against the US dollar in May, reaching USD 1,19 on 30 May, compared with USD 1,11 at the end of the previous month.

The weakening of the US dollar against the euro, which has been recorded since the beginning of the year, intensified in May, following the release of negative data for the US economy. The rise in unemployment, the risk of deflation, as well as the statement by George Soros that he bets against the dollar have strongly affected the course of the US dollar. It should be noted that discouraging data have also been recorded for the euro area economy. The prospects of a rebound in the European economy appear weak, and Eurostat has estimated that quarter-on-quarter growth in real GDP in the first quarter of 2003 was zero. Moreover, the strong appreciation of the euro increases the risk of deflation and contributes to the slowdown of the economy.

The pound sterling followed, in part, the course of the euro, strengthening against the US dollar and

reaching USD 1,65 at the end of May, compared with USD 1,59 at the end of April. The course of the pound sterling was influenced by releases of mixed economic data for the United Kingdom. The trade deficit and manufacturing production in March were worse than expected. RPIX inflation remained unchanged at 3,0% in April. The labour market displayed a positive picture, with a decline in unemployment in the first quarter of the year. In parallel, corporate profits rose by 3,4%.

The Japanese yen weakened considerably against the euro. The continuing weak course of the Japanese yen reflects continuing investor concern about the instability of the country's financial system, following the government's decision to rescue from possible bankruptcy Resona Holding Inc., the fifth largest banking group in Japan.

An overview of recent fluctuations in international exchange rates, until 30 May 2003, is given in chart 1.

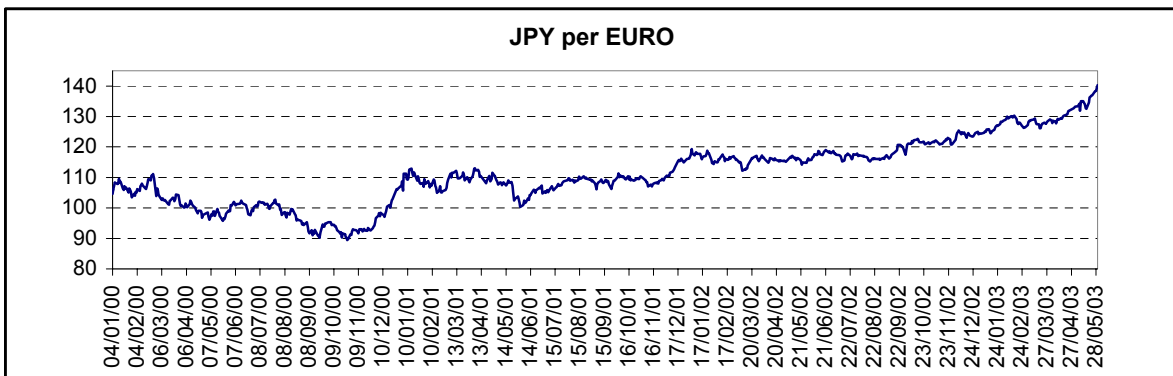
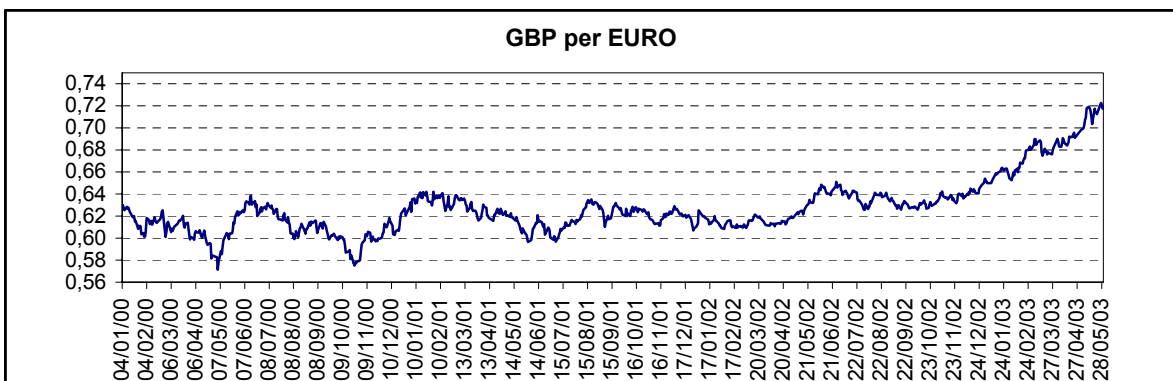
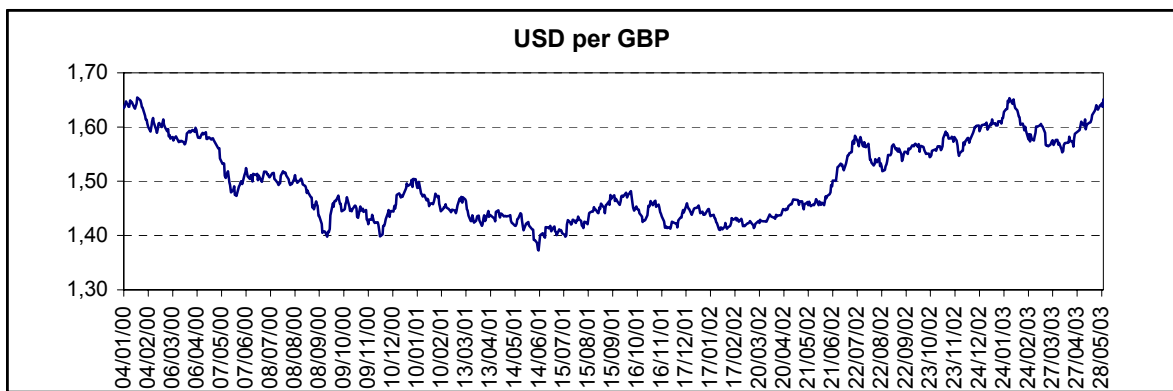
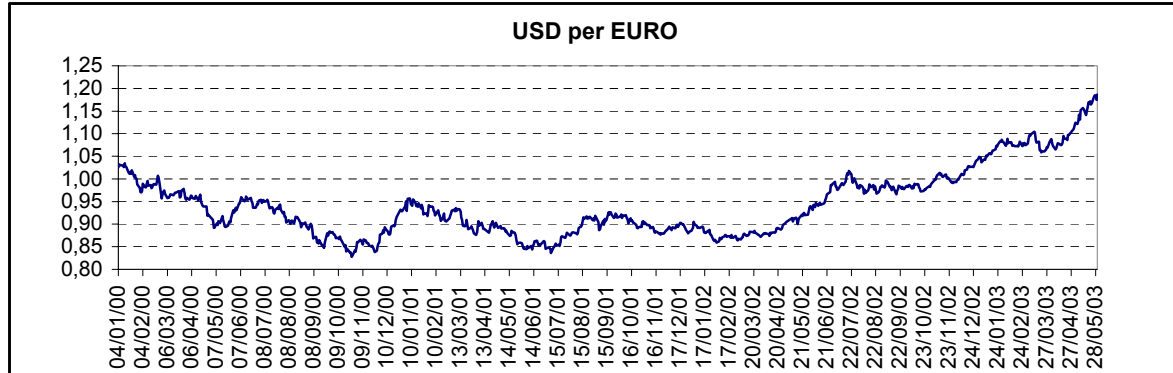
Chart 1**Major international currencies****04/01/2000 - 30/05/2003***(opening, selling values)*

Table 4 shows the forecasts of a large number of internationally recognized financial institutions for the course of international exchange rates within the next twelve months, as recorded in the monthly survey of Reuters. It is pointed out

that the survey was conducted in the period from 6 to 8 May and thus the results do not reflect the significant developments which occurred in the remainder of the month.

Table 4

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

(May 2003)

| | | Exchange rate forecasts | | | |
|-------------|------------------------|-------------------------|---------|---------|----------|
| | Statistical data | 1-month | 3-month | 6-month | 12-month |
| USD per EUR | Mean | 1,14 | 1,13 | 1,14 | 1,14 |
| | Minimum | 1,08 | 1,04 | 1,05 | 1,00 |
| | Maximum | 1,18 | 1,20 | 1,20 | 1,23 |
| | Number of observations | 52 | 53 | 53 | 52 |
| USD per GBP | Mean | 1,61 | 1,61 | 1,62 | 1,63 |
| | Minimum | 1,58 | 1,53 | 1,51 | 1,48 |
| | Maximum | 1,67 | 1,70 | 1,72 | 1,76 |
| | Number of observations | 52 | 53 | 53 | 52 |
| JPY per USD | Mean | 118,13 | 119,17 | 119,95 | 119,59 |
| | Minimum | 112,50 | 110,00 | 111,00 | 108,00 |
| | Maximum | 123,00 | 125,00 | 127,00 | 133,00 |
| | Number of observations | 49 | 50 | 50 | 49 |
| GBP per EUR | Mean | 0,71 | 0,70 | 0,70 | 0,70 |
| | Minimum | 0,67 | 0,65 | 0,65 | 0,64 |
| | Maximum | 0,73 | 0,74 | 0,75 | 0,76 |

Source: Reuters. The survey was conducted in the period 6-8 May 2003.

Cyprus pound

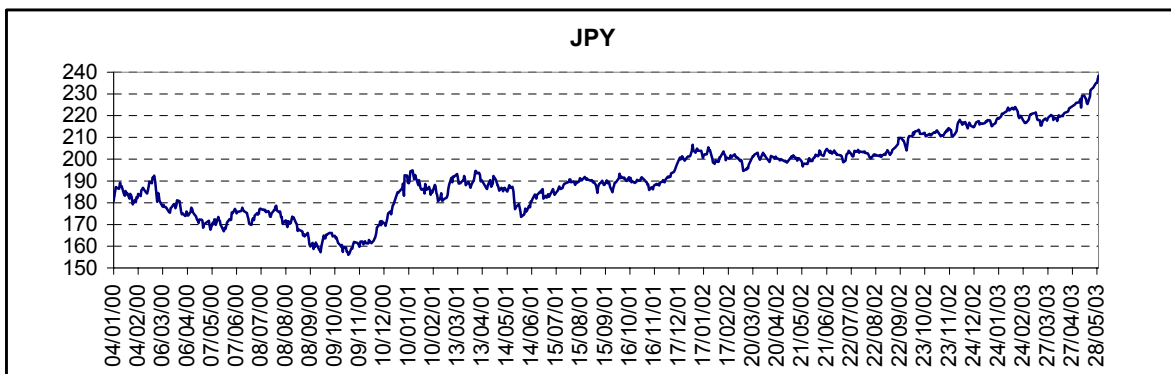
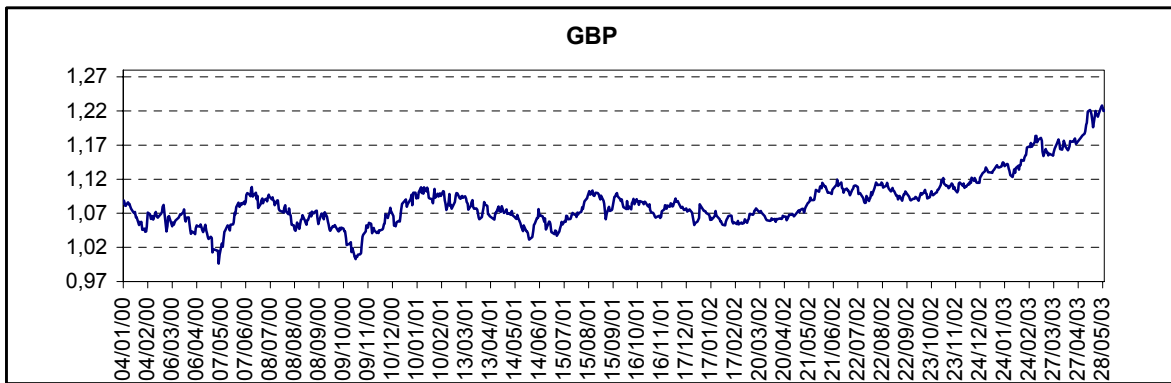
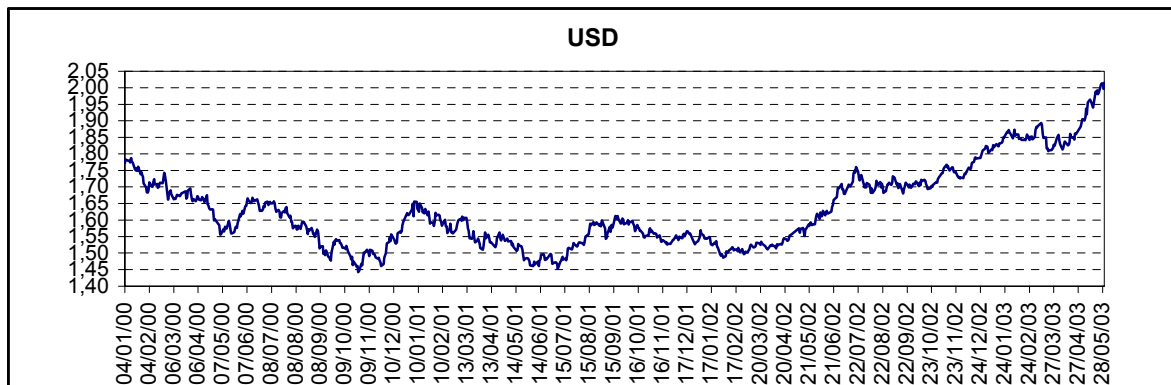
The Cyprus pound fluctuated marginally vis-à-vis the euro during May and reached EUR 1,6984 on 30 May 2003 (opening, selling rate), compared with EUR 1,6954 on the first working day of the month. Reflecting fluctuations in international currencies during May, the Cyprus pound appreciated significantly against the US dollar, reaching USD 2,0098 on 30 May, compared with USD 1,9097 on 2 May 2003. The Cyprus pound

also strengthened against the pound sterling. Specifically, the exchange rate increased to GBP 1,2193 per CYP on 30 May, from GBP 1,1865 on 2 May.

Charts 2A and 2B depict recent fluctuations in the exchange rates of the Cyprus pound vis-à-vis the euro, the US dollar, the sterling and the yen.

Chart 2A**Exchange rate of the euro against the Cyprus pound****04/01/2000 – 30/05/2003***(opening, selling rate)*

Note: The official exchange rate fluctuation margins of the Cyprus pound against the euro are set equal to $\pm 15,0\%$

Chart 2B**Cyprus Pound against major international currencies
04/01/2000 - 30/05/2003***(foreign currency per Cyprus pound; opening, selling values)*

As regards the domestic foreign exchange market, purchases and sales of foreign exchange by the Central Bank of Cyprus until the end of May are summarized in table 5. As shown in this table, net foreign exchange inflows of £14,21 were registered in May, after net outflows of £64,26 million in April. The outflows recorded in the period from January to April 2003 are

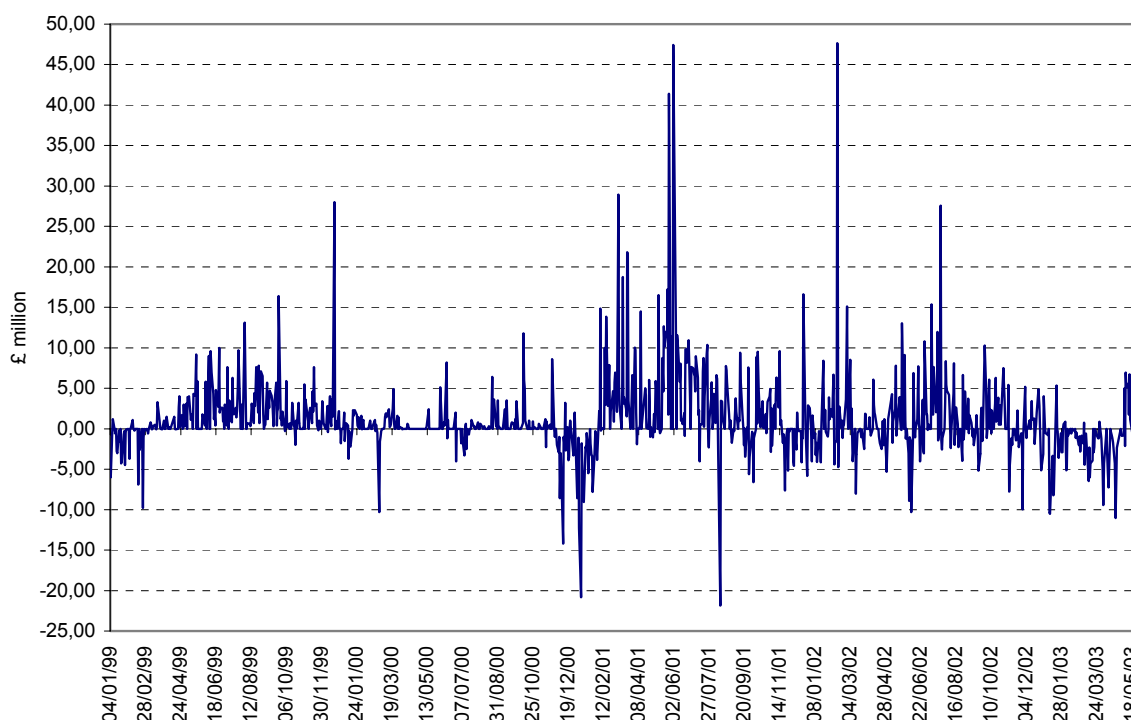
attributable first to seasonal factors and second to subdued exports of goods and services due to the unfavourable international climate. Daily purchases and sales of foreign exchange by the Central Bank from domestic banks since 1999 are shown in chart 3.

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

| Period | Average intervention exchange rate 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>Year</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 |
| <u>Quarter</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 | 1,610 | 0,00 | -116,28 |
| <u>Month</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 |

Chart 3

**Daily purchases / sales of foreign exchange by the Central Bank
from the domestic banks
4/1/1999-31/05/2003**

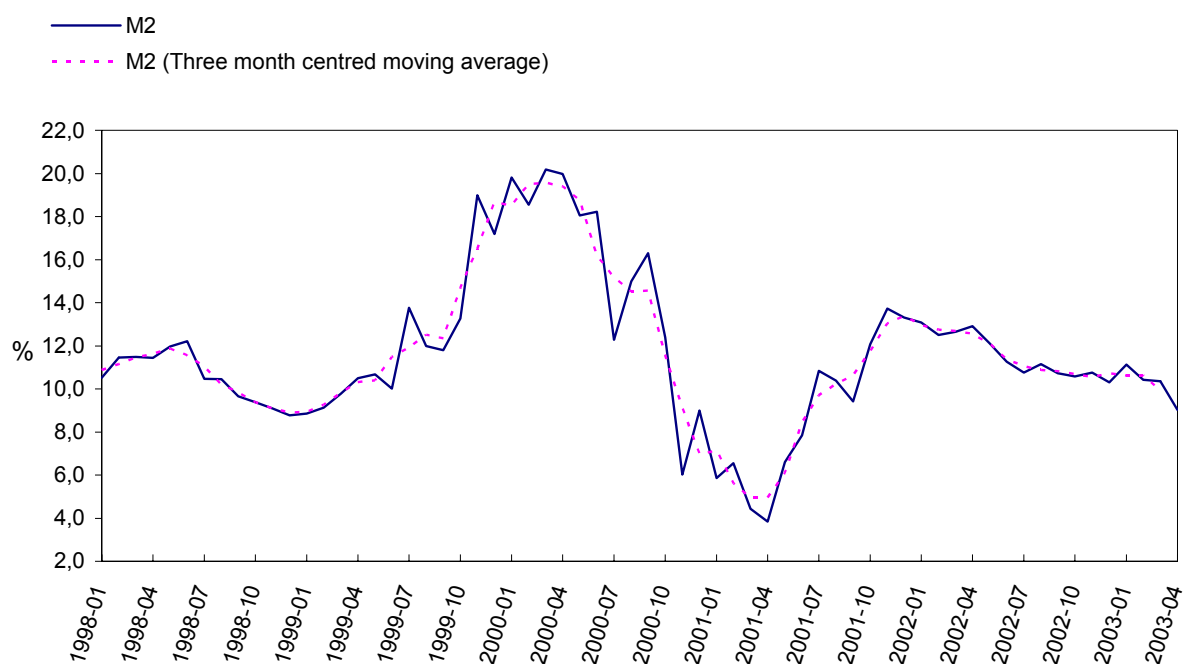
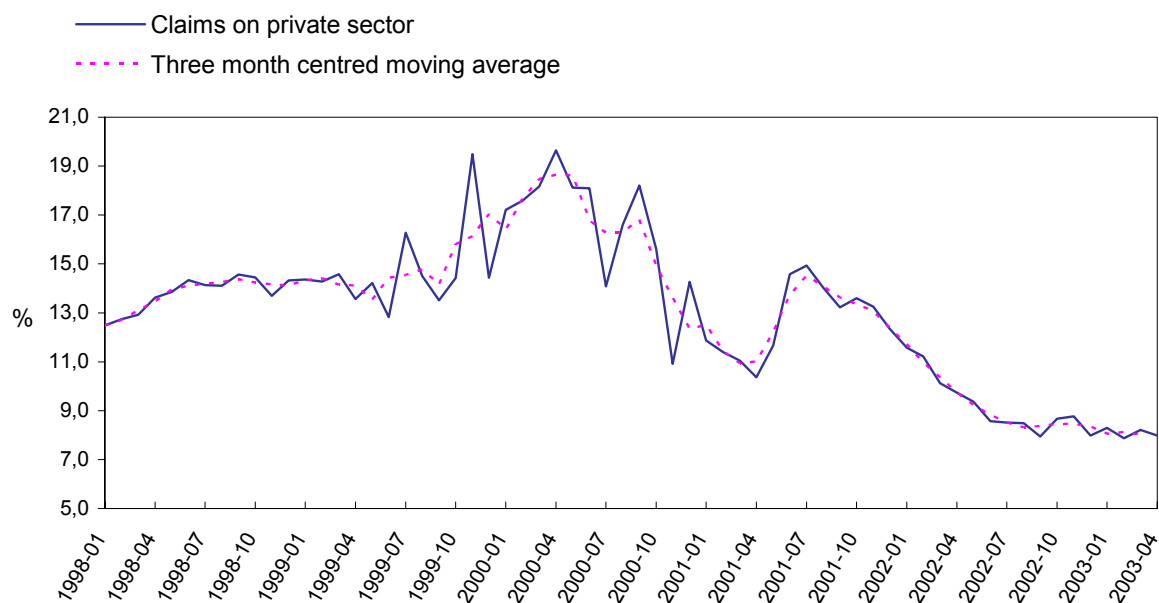


Note: Purchases of foreign exchange by the Central Bank are shown with a positive sign.

2.2 MONETARY DEVELOPMENTS

In the light of the end of the war in Iraq, which renewed hopes for a recovery of the global economy, and hence of the Cypriot economy, the Monetary Policy Committee maintained official interest rates unchanged at its meeting on 8 May. At the same time, the Committee expressed its concern about the course of inflation and public finances.

As regards monetary developments, the considerable deceleration in the growth rates of both the total money supply (M2) and bank credit continued in April. Foreign exchange outflows during the first four months of the year, mainly due to seasonal factors, contributed to the containment of the money supply as well as excess bank liquidity.

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

The annual growth rate of total money supply (M2) decelerated further in April, reaching 9,0%, compared with 10,4% in March (table 6). The slowdown is confirmed by the three-month moving average, which indicates a decrease in the annual growth rate of total money supply to 9,9% in the period from February to April, from 10,6% in the period from January to March. The growth rate of the monetary aggregate M2C, which includes the co-operative credit institutions, registered a somewhat different course, remaining at 9,8% in April (the same growth rate as in March), compared with 10,2% in January and February.²

The slowdown in the money supply is partly attributable to the deceleration in bank credit to the private sector, which registered an annual growth rate of 8,2% in March and 8,0% in April 2003, compared with 9,7% in April 2002 (table 6). According to the three-month moving average, credit expanded at an annual rate of 8,1% in the period from January to March, and 8,0% in the period from February to April. The low rate of expansion of bank lending is attributable to weak demand for loans by the private sector due to the slowdown in economic activity, on the one hand, and to stricter bank policies for the assessment of loan applications, on the other.

Table 7 presents the factors affecting total money supply (M2), in absolute terms. As this table shows, in the period from January to April 2003, claims on both the private and public sectors increased, in comparison with the same period of the previous year, whereas net foreign assets fell. In particular, net credit to the private sector grew by £145,9 million in the first four months of 2003, compared with an increase of £135,3 million in the same period of the previous year; and claims on the public sector registered an increase of £91,4 million, compared with a decrease of £245,4 million in the first four months of the previous year. At the same time, net foreign assets declined by £251,1 million, compared with an increase of £109,5 million in the first four months of 2002.

² The monetary aggregate M2C is given with reservation, 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 Information Technology Company does not yet cover all the co-operative credit institutions.

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

| | 1999 | 2000 | 2001 | 2002 | 2002 Apr. | 2003 Mar. | 2003 Apr. |
|--------------------------|------|------|------|------|--------------|--------------|--------------|
| Money supply (M1) | 41,5 | -3,8 | 1,1 | 2,6 | 1,6 | 8,9 | 12,6 |
| Total money supply (M2) | 17,2 | 9,0 | 13,3 | 10,3 | 12,9 | 10,4 | 9,0 |
| Claims on private sector | 14,4 | 14,3 | 12,3 | 8,0 | 9,7 | 8,2 | 8,0 |

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

| | Apr. 2003 | Jan. - Apr. | | Mar. 2002/2003 | Apr. 2002/2003 |
|--------------------------------|-----------------|----------------|----------------|-------------------|-------------------|
| | | 2002 | 2003 | | |
| Foreign assets (net) | -35.061 | 109.484 | -251.147 | -461.012 | -439.129 |
| Claims on private sector | -3.261 | 135.285 | 145.877 | 611.171 | 594.626 |
| Claims on public sector | -19.860 | -245.387 | 91.369 | 665.107 | 591.012 |
| Unclassified items | 18.867 | 33.098 | -44.744 | -50.735 | -75.093 |
| Total money supply (M2) | -39.315 | 32.480 | -58.645 | 764.531 | 671.416 |
| Money supply (M1) | 65.335 | -93.222 | -4.142 | 78.808 | 115.434 |
| Currency in circulation | 29.828 | -196 | 468 | 30.073 | 36.983 |
| Demand deposits | 35.507 | -93.026 | -4.610 | 48.735 | 78.451 |
| Quasi-money | -104.650 | 125.702 | -54.503 | 685.723 | 555.982 |

The breakdown of bank credit by sector of economic activity (table 8) shows that in the period from January to April 2003, trade, tourism and construction absorbed the largest part of new credit³, amounting to 31,4%, 30,5% and 28,2%, respectively. In the same period of the previous year, tourism dominated with a share of 36,3% of new credit. In absolute terms, loans for foreign and domestic trade increased by £54,2 million in the period from January to April 2003, compared with an increase of £41,6 million in the same period of 2002. Concurrently, new credit for the construction sector rose to £48,5 million, from £15,9 million in the first four months of 2002, and new credit for the tourist sector increased from £49,8 million to £52,6 million. Credit to public institutions and corporations (including the government) also registered a significant increase compared with the first four months of 2002. This development is attributable to the prohibition of direct financing of the public sector by the Central Bank, pursuant to the new Central Bank of Cyprus Law, which entered into force in July 2002.

According to provisional weekly data, in the period from 1 to 23 May 2003, net repayments of the order of £25,0 million were registered, compared with net credit of £25,1 million in the same period of 2002. In the twelve months to 23 May 2003, the amount of new credit reached £560,4 million, indicating an annual growth rate of 7,5%, down from 9,5% in the corresponding period of the previous year.

As regards credit extended through credit cards, domestic expenditure by Cypriots through credit cards rose by 17,5% in April 2003 compared with the same month of 2002. The corresponding increase in April 2002 was 21,0%. Expenditure abroad by Cypriots through credit cards also registered a slowdown, with a growth rate of 13,6% in April 2003, down from 31,2% in the same month of 2002. Expenditure in Cyprus by foreign card holders declined by 9,4% in April 2003 compared with the same month of the previous year. The corresponding decrease in April 2002 was 5,0%.

³ The figures for new credit refer to net credit granted during the reference period.

Table 8
Bank credit by sector

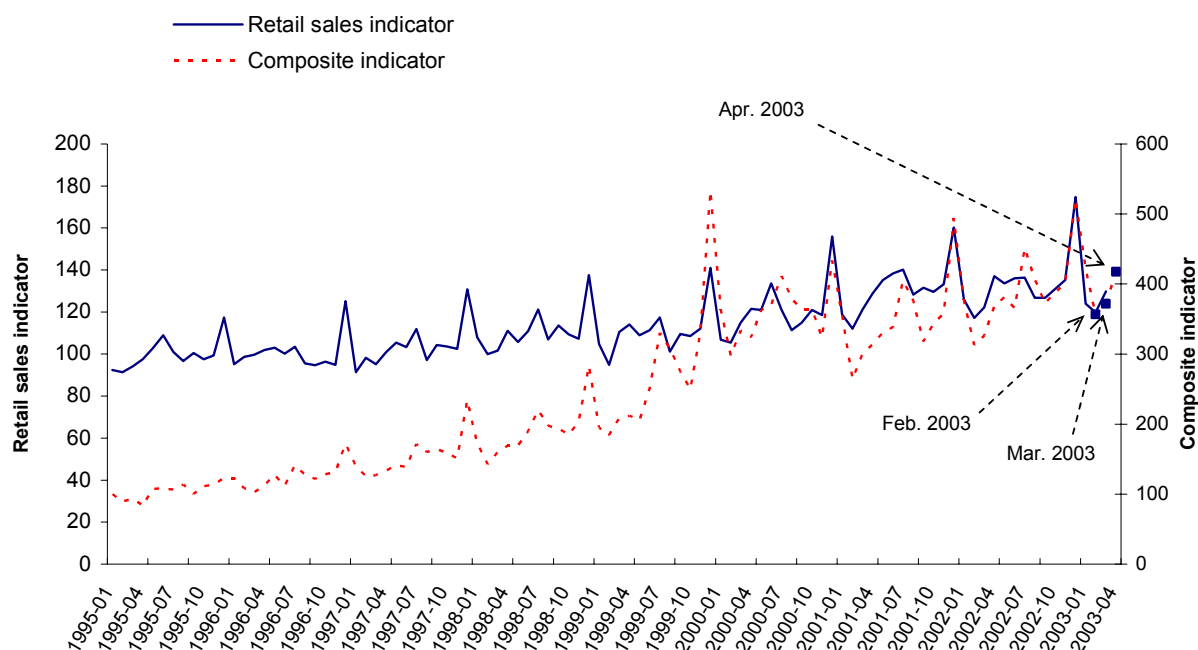
| | January - April | | | |
|---|--------------------|--------------|--------------------|--------------|
| | 2002 | | 2003 | |
| | change CYP' 000 | share % | change CYP' 000 | share % |
| Public institutions and corporations ¹ | -5.912 | -4,3 | 16.063 | 9,3 |
| Agriculture | -2.882 | -2,1 | 748 | 0,4 |
| Mining | 602 | 0,4 | 363 | 0,2 |
| Manufacture | 8.372 | 6,1 | 987 | 0,6 |
| Transport and communication | 13.155 | 9,6 | -1.862 | -1,1 |
| Foreign and domestic trade | 41.567 | 30,4 | 54.158 | 31,4 |
| Building and construction | 15.928 | 11,6 | 48.521 | 28,2 |
| Tourism | 49.779 | 36,3 | 52.557 | 30,5 |
| Personal and professional loans | 16.228 | 11,9 | 1.151 | 0,7 |
| Bills discounted: Local | -184 | -0,1 | 850 | 0,5 |
| Foreign | 292 | 0,2 | -1.280 | -0,7 |
| Total | 136.945 | 100,0 | 172.256 | 100,0 |

1) Including Government loans

Data on credit cards and other monetary figures, such as cheque clearing, which are available timely, may provide an indication of the course of retail sales. Chart 6 shows the retail sales value index, for which data are available up to March 2003, and the composite indicator,⁴ for which data are available up to April 2003.

As seen in chart 6, the composite indicator rose in March and April. On the basis of these data, and given that the predictive ability of the composite indicator was proven to be adequate in previous months, a similar movement of the retail sales value index is expected in April. Overall, excluding seasonal factors, the graph shows that the growth rate of retail sales remained weak.

⁴ The composite indicator comprises domestic expenditure by Cypriots through credit cards and cheque clearing (*Monetary Policy Report*, September 2002).

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

Foreign currency loans to residents of Cyprus registered an increase of £29,1 million in March and a marginal decrease of £0,2 million in April, compared with an increase of £31,4 million in February.⁵ The proportion of credit in foreign currency to total credit remained stable at 10,6% in March and April 2003, compared with 10,1% in April 2002 (table 9). Provisional data for the period from 1 to 23 May 2003 indicate a decline in foreign currency loans to residents, of the order of £12,7 million.

⁵ These figures include only foreign currency loans granted by domestic banks. Lending by banks abroad to Cypriots has remained at a very low level, according to data reported for long-term loans.

Table 9**Claims on private sector***(change, CYP million)*

| | 2003 Feb. | 2003 Mar. | 2003 Apr. |
|-------------------------------------|--------------|--------------|--------------|
| Foreign currency loans to residents | 31,4 | 29,1 | -0,2 |
| Claims on private sector | 8,7 | 99,6 | -3,3 |

(end of period balances, CYP million)

| | 2000 | 2001 | 2002 | 2002 Apr. | 2003 Mar. | 2003 Apr. |
|-------------------------------------|--------|--------|--------|--------------|--------------|--------------|
| Foreign currency loans to residents | 372,0 | 733,0 | 785,2 | 754,9 | 853,6 | 853,4 |
| Claims on private sector | 6516,0 | 7320,1 | 7902,9 | 7455,4 | 8053,2 | 8050,0 |
| Share % | 5,7 | 10,0 | 9,9 | 10,1 | 10,6 | 10,6 |

The proportion of loans denominated in euros to total loans in foreign currencies stood at 67,8% in 2003, while the proportions of loans in US dollars, Japanese yen and Swiss francs were 10,7%, 8,3% and 11,5%, respectively.

According to data on long-term foreign currency loans, in the first quarter of 2003, 24,1% of such loans were used for construction in Cyprus, 53,5% for refinancing⁶ and 11,4% for the acquisition of fixed assets.

⁶ Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans to a different currency.

Money market

Excess bank liquidity conditions continued to prevail in the money market in April. Consequently, the Central Bank intervened in the money market through deposit collection auctions (depos), absorbing an average daily liquidity of £210,4 million in April, compared with £308,5 million in March and £325,0 million in February (table 11). It is worth noting that whereas foreign exchange outflows, which contained surplus liquidity, were observed until April, in May foreign exchange inflows were recorded, for the first time this year.

In April, surplus bank liquidity was moderated by the increase in currency in circulation and by the decline in the average daily value of net foreign assets, from £1.210,2 million in March to £1.141,6 million in April. An opposite effect was exerted by the increase in overdrawn of government deposits, which was the main factor contributing to the expansion of bank liquidity.

Specifically, government overdrawn increased to an average daily value of £328,7 million in April, from £309,5 million in March, partly on account of reduced sales of government securities. In particular, net sales of government securities through auctions reached £31,7 million in February and £9,9 million in March, whereas in April net repayments of £9,6 million were registered.

The monthly average interest rate in the deposit collection auctions declined to 3,62% in April, from 3,72% in March. In May, two auctions were held, in each of which £150,0 million were absorbed at an average interest rate of 3,45%. In the auction held on 5 June, £130,0 million were absorbed at an average interest rate of 3,41%.

Table 10

Interest rates

(percentages per annum)

| | 2000 | 2001 | 2002 | 2002 May | 2003 Mar. | 2003 Apr. | 2003 May |
|-------------------------------|------|------|------|-------------|--------------|--------------|-------------|
| Interbank (1day) | 5,96 | 4,93 | 3,42 | 3,28 | 3,79 | 3,36 | 3,56 |
| Repos | 5,97 | 6,39 | | | | | |
| Reverse repos/depos | 4,44 | 4,59 | 3,91 | 3,96 | 3,72 | 3,62 | 3,45 |
| Treasury bills (13 weeks) | 5,75 | 6,00 | 4,02 | | | | |
| Treasury bills (52 weeks) | 6,21 | 6,35 | 4,30 | | 3,80 | | |
| Development stocks (2 years) | 6,55 | 6,11 | 4,56 | | | 3,68 | 3,69 |
| Development stocks (5 years) | 7,45 | 6,96 | 5,07 | | | 4,36 | 4,37 |
| Development stocks (10 years) | 7,55 | 7,66 | 5,37 | | | 4,63 | |
| Development stocks (15 years) | | 6,47 | 5,60 | | | 4,62 | |

Table 11**Banking system's liquidity position***(CYP 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) | Other factors (net) | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 2001 | Apr. | 1.075,1 | 0,0 | 0,0 | 18,2 | 0,7 | 0,3 | 90,7 | 0,0 | 358,7 | 0,0 | 194,4 | 449,7 | 899,5 |
| | May | 1.109,6 | 0,0 | 0,0 | 28,2 | 1,2 | 1,0 | 84,2 | 0,0 | 369,4 | 58,4 | 175,7 | 450,3 | 904,9 |
| | June | 1.316,1 | 0,0 | 0,0 | 0,0 | 0,0 | 57,9 | 79,7 | 26,4 | 382,7 | 132,3 | 198,2 | 439,1 | 959,3 |
| | July | 1.379,0 | 0,0 | 0,0 | 1,2 | 0,0 | 9,2 | 79,6 | 92,0 | 393,8 | 159,8 | 194,5 | 451,1 | 933,8 |
| | Aug. | 1.333,2 | 0,0 | 0,0 | 0,5 | 0,0 | 39,3 | 79,6 | 58,6 | 393,9 | 125,6 | 179,4 | 457,2 | 970,2 |
| | Sep. | 1.359,6 | 0,0 | 0,0 | 0,0 | 0,0 | 58,7 | 79,6 | 94,8 | 386,0 | 89,4 | 189,3 | 461,8 | 986,1 |
| | Oct. | 1.358,1 | 0,0 | 0,0 | 2,3 | 0,1 | 19,4 | 79,6 | 104,7 | 384,3 | 58,0 | 250,0 | 464,5 | 947,8 |
| | Nov. | 1.372,1 | 0,0 | 0,0 | 2,3 | 0,0 | 13,3 | 79,4 | 118,5 | 366,5 | 54,6 | 275,5 | 466,6 | 925,8 |
| | Dec. | 1.334,4 | 0,0 | 0,0 | 3,6 | 0,0 | 8,3 | 79,4 | 111,9 | 385,3 | 10,5 | 274,6 | 468,1 | 941,1 |
| 2002 | Jan. | 1.309,0 | 0,0 | 0,0 | 0,8 | 0,0 | 16,4 | 79,4 | 174,3 | 377,6 | 64,7 | 124,2 | 473,1 | 946,6 |
| | Feb. | 1.384,4 | 0,0 | 0,0 | 0,6 | 0,0 | 14,5 | 79,4 | 131,3 | 363,9 | 169,8 | 137,7 | 488,6 | 946,4 |
| | 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 |

The overnight interest rate in the interbank market declined to 3,36% in April, from 3,79% in March, and then increased to 3,56% in May. As a result of the reduction in official interest rates on 4 April, government security yields declined somewhat in April and May compared with the first three months of the year (table 10). In particular, the average interest rate on two-year and five-year bonds stood at 3,69% and 4,37%, respectively, in May. The average yields on ten-year and fifteen-year bonds were 4,63% and 4,62%, respectively, in April. With regard to thirteen-week treasury bills, no auctions have taken place since January 2003.

Table 12 gives a comparison of domestic long-term interest rates and European Union rates. According to the latest available data, which refer to April, domestic long-term real interest rates were below the corresponding rates in the European Union by 127 basis points, compared with 96 basis points in March. The widening of the interest rate differential stemmed from the rise in domestic inflation, while the inflation rate in the European Union remained stable. The latest twelve-month average of long-term nominal interest rates in Cyprus was 4,94%.

Table 12**Inflation and interest rates in Europe and Cyprus – April 2003***(latest twelve-month average)*

| | Inflation (HICP) | Long-term interest rates | Long-term real interest rates |
|----------------|-------------------|--------------------------|-------------------------------|
| Belgium | 1,30 | 4,60 | 3,30 |
| Denmark | 2,50 | 4,80 | 2,30 |
| Germany | 1,10 | 4,50 | 3,40 |
| Greece | 3,70 | 4,80 | 1,10 |
| Spain | 3,70 | 4,60 | 0,90 |
| France | 1,90 | 4,50 | 2,60 |
| Ireland | 4,70 | 4,60 | -0,10 |
| Italy | 2,70 | 4,70 | 2,00 |
| Luxembourg | 2,50 | 4,20 | 1,70 |
| Netherlands | 3,40 | 4,60 | 1,20 |
| Austria | 1,70 | 4,60 | 2,90 |
| Portugal | 3,80 | 4,70 | 0,90 |
| Finland | 1,80 | 4,60 | 2,80 |
| Sweden | 2,00 | 5,00 | 3,00 |
| United Kingdom | 1,30 | 4,70 | 3,40 |
| Euro zone | 2,20 | 4,60 | 2,40 |
| EU -15 | 2,00 | 4,60 | 2,60 |
| Cyprus | 3,61 | 4,94 | 1,33 |

International and domestic official interest rates

At its meeting on 5 June, the Governing Council of the European Central Bank reduced its official interest rates by 50 basis points. The US Federal Reserve System and the Bank of England maintained their official interest rates unchanged at their recent meetings. The Central Bank of Cyprus, after the interest rate reduction by 50 basis points at the unscheduled meeting of 4 April, maintained interest rates unchanged in May.

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

Table 13

Official interest rates

(levels in percentages per annum, changes in percentage points)

| | | change |
|---|------|--------|
| European Central Bank | | |
| <i>(5 June 2003)</i> | | |
| Minimum bid rate on the main refinancing operations | 2,00 | -0,50 |
| Interest rate on the marginal lending facility | 3,00 | -0,50 |
| Interest rate on the deposit facility | 1,00 | -0,50 |
| Bank of England | | |
| <i>(5 June 2003)</i> | | |
| Repo Rate | 3,75 | - |
| Federal Reserve System | | |
| <i>(6 May 2003)</i> | | |
| Federal Funds Rate | 1,25 | - |
| Discount Rate | 2,25 | - |
| Central Bank of Cyprus | | |
| <i>(8 May 2003)</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

The Cyprus Stock Exchange General Price Index rose to 92,7 points at the end of April, from 81,2 points at the end of March (chart 7). The slight recovery observed at the beginning of April seems to have followed the limited rise in international stock exchanges. During April, the General Price Index fluctuated in the range of 82,0 to 92,7 points, compared with a range of 80,3 to 87,7 points in March.

the average daily number of transactions increased from 1.220 to 1.329. All sectoral indices registered an increase in April. The securities with the largest proportion of the monthly traded volume in April were the shares of Bank of Cyprus and Laiki Bank, which accounted for 21,5% and 10,2% of the traded volume, respectively. The corresponding proportions in March were 20,7% and 12,3%.

The average daily traded volume increased from £0,7 million in March to £1,0 million in April, and

Chart 7

Cyprus Stock Exchange (CSE) General Index

March - April 2003

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

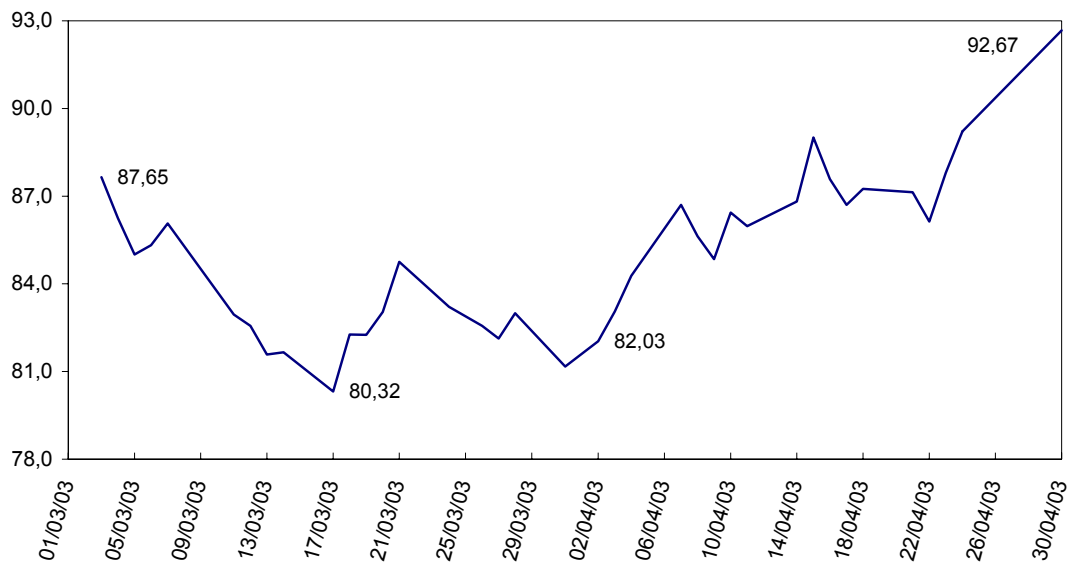


Table 14 shows negligible net capital outflows in the Cyprus Stock Exchange during April. Specifically, sales by non-residents of listed shares that were not included in the central security depository stood at £3 thousand, while purchases amounted to £2 thousand.

Tables 11 and 12 in the annex show purchases and sales of listed shares by non-residents

analysed by country of residence. In 2002, taking into account the shares included in the central security depository as well as those not included in the dematerialisation process, total sales of listed shares by non-residents amounted to £3,7 million, while purchases reached £2,1 million.

Table 14

Investments by non-residents on the Cyprus Stock Exchange¹

(CYP thousand)

| | 2001 | 2002 | 2003 | | | |
|-----------------|------|------|------|------|------|------|
| | Dec. | Dec. | Jan. | Feb. | Mar. | Apr. |
| Purchases | 367 | 50 | 9 | 9 | 1 | 2 |
| Sales | 577 | 0 | 0 | 0 | 0 | 3 |
| Net investments | -210 | 50 | 9 | 9 | 1 | -1 |

Source: Cyprus Stock Exchange

¹ These figures refer to shares not included in the dematerialisation process

2.3 INFLATION

Prices increased by 5,58% in April 2003, compared with an increase of 5,97% in the previous month and 2,65% in April 2002. As table 15 indicates, the small decrease in the inflation rate in April compared with March stemmed mainly from the substantial deceleration in agricultural product prices. In parallel, prices of industrial non-oil goods decelerated somewhat, while prices of motor vehicles fell, as in March. Services prices also registered a small deceleration. By contrast, a considerable acceleration was recorded in the prices of fuel and gas, as well as electricity. It is pointed out that the rise in the inflation rate in the first four months of the year, which reached 5,03%, compared with 2,60% in the first four months of 2002, primarily reflects the increase in the VAT rate, from 10,0% to 13,0% effective 1 July 2002, and then to 15,0% effective 1 January 2003.

Taking a more detailed look at domestic goods, a noteworthy development in April 2003 was the substantial deceleration in agricultural product prices, which increased by 2,67%, after a rise of 9,03% in the previous month. Fuel and gas prices as well as electricity prices accelerated, registering increases of 41,76% and 22,96%, respectively, compared with respective increases of 35,45% and 16,90% in March 2003. The rise in electricity and fuel prices is attributable to the temporary increase in oil prices due to the war in Iraq, which has now ended, and to the adjustment of electricity prices for private and industrial use, which was effected in March. Specifically, the adjustment included an increase in the price of electricity for private use, which accounts for the largest part of electricity consumption, and a decrease in the price of electricity for industrial use.

Prices of imported goods declined further by 2,95% in April 2003, after a decrease of 3,14% in March. In particular, the prices of motor vehicles fell by 11,19%, owing to the sizeable reduction in excise taxes on most types of cars since 1 July 2002, whereas prices of other imported goods continued to increase due to the VAT increase.

Services prices increased by 4,16% in April 2003, compared with an increase of 4,56% in March 2003 and 3,47% in April 2002. The continuing decrease in telecommunications prices is noteworthy. This decrease, which has started since January 2002, is attributable to the process of liberalisation of the telecommunications sector.

As a result of the aforementioned developments, inflation rose to 5,03% in the first four months of 2003, from 2,60% in the same period of 2002. The rise in inflation was driven mainly by the sharp increase in the prices of domestic industrial, non-oil goods, fuel and gas, and electricity, and to a lesser extent, by the increase in services prices, which are largely attributable to the increase in the VAT rate and in excise taxes since July 2002 and January 2003. A more detailed analysis of developments on the inflation front by economic origin is given in tables 7 to 10 in the annex.

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

| | | 2001 | 2002 | April 2002/2001 | March 2003/2002 | April 2003/2002 |
|----------|-----------------------|-------------|--------------|--------------------|--------------------|--------------------|
| | All items | 1,98 | 2,81 | 2,65 | 5,97 | 5,58 |
| A | Domestic goods | 1,34 | 4,35 | 3,40 | 12,57 | 11,78 |
| A.1 | Agricultural | 4,50 | 1,79 | 12,00 | 9,03 | 2,67 |
| A.2 | Industrial | 0,78 | 5,62 | 1,75 | 13,40 | 13,86 |
| A.2.1 | Industrial, non-oil | 0,10 | 4,55 | 2,32 | 8,87 | 8,10 |
| A.2.2 | Fuel and gas | 3,99 | 10,57 | -0,95 | 35,45 | 41,76 |
| A.3 | Electricity | -3,23 | -2,26 | -7,09 | 16,90 | 22,96 |
| B | Imported goods | 0,47 | -1,69 | -0,28 | -3,14 | -2,95 |
| B.1 | Motor vehicles | 0,55 | -5,07 | -0,59 | -11,64 | -11,19 |
| B.2 | Other imported goods | 0,41 | 0,85 | -0,05 | 3,28 | 3,20 |
| C | Services | 3,35 | 3,67 | 3,47 | 4,56 | 4,16 |

With regard to prospects for 2003, taking into account the effects of the tax measures implemented in mid-2002 and the new measures implemented on 1 January 2003 (including a further increase in the VAT standard rate to 15,0%), inflation is expected to rise to around 4,5% in 2003. This projection is based on the framework of price analysis by economic origin, as presented above, and a set of working hypotheses. Specifically, it is assumed that oil prices will decline further and reach an average of around USD 25 per barrel for the year as a whole, and that agricultural product prices will register an average increase of the order of 2,5%. It is also assumed that the Cyprus pound will not fluctuate significantly from the high levels it reached in the beginning of 2003 vis-à-vis the euro, the US dollar and the pound sterling; this will have a downward effect on inflation through the prices of imported goods.

For purposes of comparison, table 16 shows the latest available monthly data on inflation in Cyprus, the euro area and selected other countries, as well as forecasts for 2003.

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

| | Inflation rate | month | forecast for 2003 ¹ |
|-------------|-------------------|-------|-----------------------------------|
| Cyprus | 5,6 | Apr. | 4,2 ² |
| Euro area | 2,1 | Apr. | 1,9 |
| U.S.A. | 2,2 | Apr. | 2,3 |
| G.Britain | 3,1 | Apr. | 2,8 |
| Germany | 0,7 | May | 1,1 |
| Italy | 2,7 | Apr. | 2,3 |
| Denmark | 2,5 | Apr. | 2,3 |
| France | 2,0 | Apr. | 1,8 |
| Austria | 1,3 | Apr. | 1,5 |
| Belgium | 1,0 | May | 1,4 |
| Spain | 3,1 | Apr. | 3,0 |
| Sweden | 2,3 | Apr. | 2,4 |
| Switzerland | 0,7 | Apr. | 0,8 |
| Japan | -0,1 | Mar. | -0,6 |
| Canada | 3,0 | Apr. | 3,1 |

*(1) Source: The Economist (31 / 5 / 2003)**(2) Source: Central Bank of Cyprus*

2.4 DOMESTIC ECONOMY

An overview of the domestic economy is presented in table 17, which gives a series of the latest economic indicators. Charts 8 and 9 show graphs of a number of relevant indicators. According to these data, in spite of the increase observed in January and February, tourist arrivals registered a sizeable decline in the first four months of 2003, mostly due to the fall in tourist arrivals recorded in March. This fall is attributable to the war in Iraq and to a base effect associated with the Catholic Easter, which in 2002 was celebrated in March, leading to increased tourist arrivals during that month, while it was celebrated in April this year (a month in which the decrease in tourist arrivals was much lower than in March). In parallel, important indicators of supply and demand point to a continuing slowdown in economic activity. In the first four months of 2003, unemployment increased in comparison with the corresponding months of 2002.

Production

As regards the services sector, the increase in tourist arrivals recorded in the first two months of 2003 was reversed in March and April. Specifically, tourist arrivals increased by 10,1% and 8,4% in January and February, respectively, compared with decreases of 15,8% and 13,9% in the corresponding months of 2002. In parallel, receipts from tourism grew by 13,1% in the first two months of 2003. In March and April, however, tourist arrivals fell by 33,9% and 5,9%, respectively, leading to a cumulative decrease of 10,4% for the first four months of the year, compared with a decrease of 14,8% in the same period of 2002. In parallel, receipts from tourism fell by 13,2% in the first four months of 2003, compared with a decrease of 3,6% in the same period of 2002.

In the secondary sector, the picture is mixed. On the one hand, construction continued to show positive signs during the first months of 2003, although it seems to have been affected by the overall slowdown in the economy, and on the other hand, manufacturing continued to show a downturn.

Specifically, the volume index of building permits, which indicates prospects for the construction sector in the following few months, rose by 10,4% and 54,4% in January and February 2003, respectively, compared with a rise of 11,9% and a fall of 13,8% in the corresponding months of 2002. The value index of building permits rose by 14,5% and 48,5% in January and February 2003, respectively, compared with increases of 11,6% and 2,4% in the respective months of the previous year. For the first two months of 2003, the volume and value indices of building permits registered a rise of 31,9% and 31,4%, respectively, compared with a decrease of 2,3% and an increase of 6,8%, respectively, in the same period of 2002.

Cement sales in the domestic market declined by 3,9% in April 2003, compared with a rise of 38,9% in the same month of 2002. For the period from January to April 2003, cement sales registered an increase of 2,0%, compared with an increase of 13,7% in the same period of the previous year.

Table 17
Latest economic indicators

| | 2001 | 2002 | Latest month with available data | | Corresponding month of the previous year | | Latest period with available data | | Corresponding period of the previous year | |
|---|---------|---------|----------------------------------|--------|--|--------|-----------------------------------|--------|---|--------|
| Consumer price index (% change) | 2,0 | 2,8 | Apr. 2003 | 5,6 | Apr. 2002 | 2,7 | Jan.-Apr. 2003 | 5,0 | Jan.-Apr. 2002 | 2,6 |
| Unemployment rate (% of E.A.P) | 3,0 | 3,2 | May 2003 | 3,0 | May 2002 | 2,6 | Jan.-May 2003 | 3,7 | Jan.-May 2002 | 3,4 |
| Fiscal deficit(-)/surplus(+) (% of GDP) | -166,5 | -215,6 | Jan.-Feb. 2003 | -84,1 | Jan.-Feb. 2002 | -19,1 | Jan.-Feb. 2003 | -84,1 | Jan.-Feb. 2002 | -19,1 |
| Tourist arrivals (% change) | 0,4 | -10,3 | Apr. 2003 | -5,9 | Apr. 2002 | -23,9 | Jan.-Apr. 2003 | -10,4 | Jan.-Apr. 2002 | -14,8 |
| Tourist revenue (% change) | 7,0 | -11,0 | Apr. 2003 | -12,9 | Apr. 2002 | -14,3 | Jan.-Apr. 2003 | -13,2 | Jan.-Apr. 2002 | -3,6 |
| Cypriots traveling abroad (% change) | 16,9 | 8,7 | Mar. 2003 | 6,1 | Mar. 2002 | 12,7 | Jan.-Mar. 2003 | -12,1 | Jan.-Mar. 2002 | -1,7 |
| Volume index of retail sales (% change) | 5,9 | 1,0 | Mar. 2003 | 2,6 | Mar. 2002 | -0,2 | Jan.-Mar. 2003 | 0,0 | Jan.-Mar. 2002 | 2,2 |
| Private car registration (% change) | 19,2 | 24,5 | May 2003 | 32,7 | May 2002 | 0,6 | Jan.-May 2003 | 21,7 | Jan.-May 2002 | 28,8 |
| Volume index of manufacturing production (% change) | -2,0 | -2,6 | Feb. 2003 | -7,3 | Feb. 2002 | 0,0 | Jan.-Feb. 2003 | -4,9 | Jan.-Feb. 2002 | -2,7 |
| Volume index of building permits authorised (% change) | 23,4 | 10,8 | Feb. 2003 | 54,4 | Feb. 2002 | -13,8 | Jan.-Feb. 2003 | 31,9 | Jan.-Feb. 2002 | -2,3 |
| Value index of building permits authorised (% change) | 26,2 | 13,0 | Feb. 2003 | 48,5 | Feb. 2002 | 2,4 | Jan.-Feb. 2003 | 31,4 | Jan.-Feb. 2002 | 6,8 |
| Local sales of cement (% change) | 11,6 | 12,2 | Apr. 2003 | -3,9 | Apr. 2002 | 38,9 | Jan.-Apr. 2003 | 2,0 | Jan.-Apr. 2002 | 13,7 |
| Total imports (c.i.f.) (% change) | 2,4 | -1,7 | Feb. 2003 | -19,1 | Feb. 2002 | 21,6 | Jan.-Feb. 2003 | -14,9 | Jan.-Feb. 2002 | 12,0 |
| Imports for home consumption (c.i.f.) ¹ (% change) | 8,7 | 3,9 | Feb. 2003 | -6,4 | Feb. 2002 | 8,2 | Jan.-Feb. 2003 | -5,7 | Jan.-Feb. 2002 | 8,3 |
| Total exports (f.o.b.) (% change) | 6,1 | -18,6 | Feb. 2003 | -8,6 | Feb. 2002 | -4,5 | Jan.-Feb. 2003 | -11,8 | Jan.-Feb. 2002 | -10,4 |
| Domestic exports(f.o.b.) (% change) | 4,5 | -5,1 | Feb. 2003 | -8,4 | Feb. 2002 | 16,8 | Jan.-Feb. 2003 | -10,2 | Jan.-Feb. 2002 | 15,3 |
| Trade deficit (£ million) | -1900,7 | -1975,3 | Feb. 2003 | -146,3 | Feb. 2002 | -114,0 | Jan.-Feb. 2003 | -251,0 | Jan.-Feb. 2002 | -297,7 |

(1) Non-oil civil imports

Manufacturing continued to present a negative picture, with a contraction of 4,9% in the volume index of manufacturing production for the first two months of the year, compared with a decrease of 2,7% in the same period of 2002. The time of

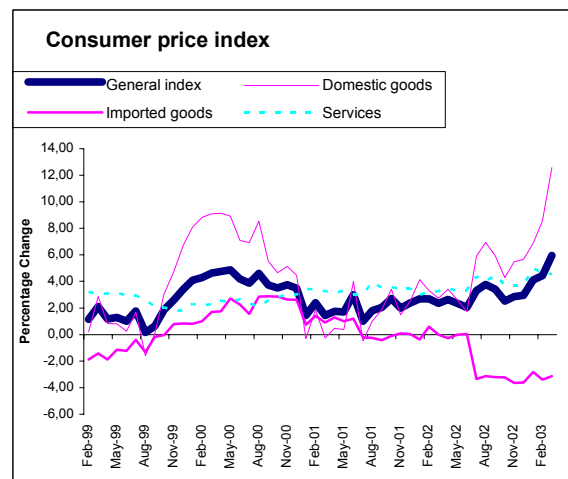
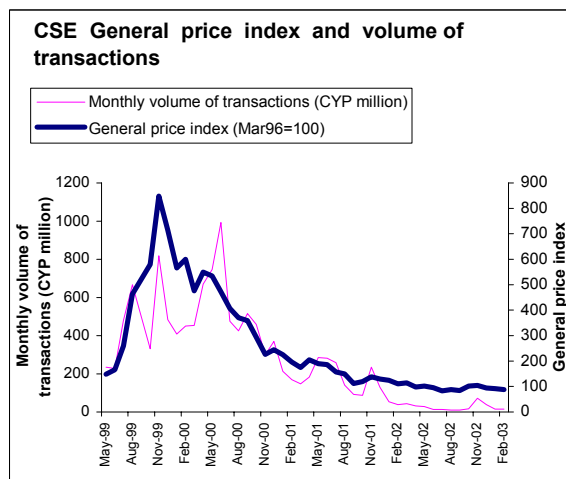
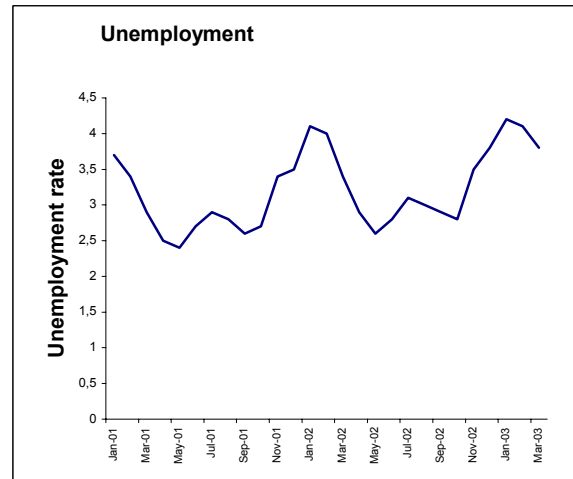
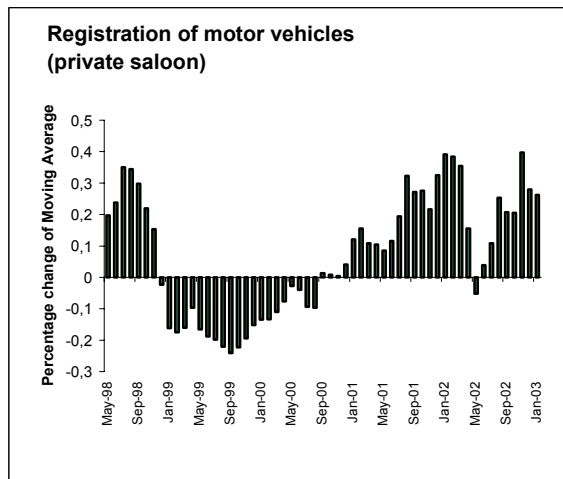
recovery from the observed downturn in manufacturing is difficult to predict. The performance of manufacturing by product category is shown in table 18.

Table 18

Manufacturing production volume index

(percentage change by category)

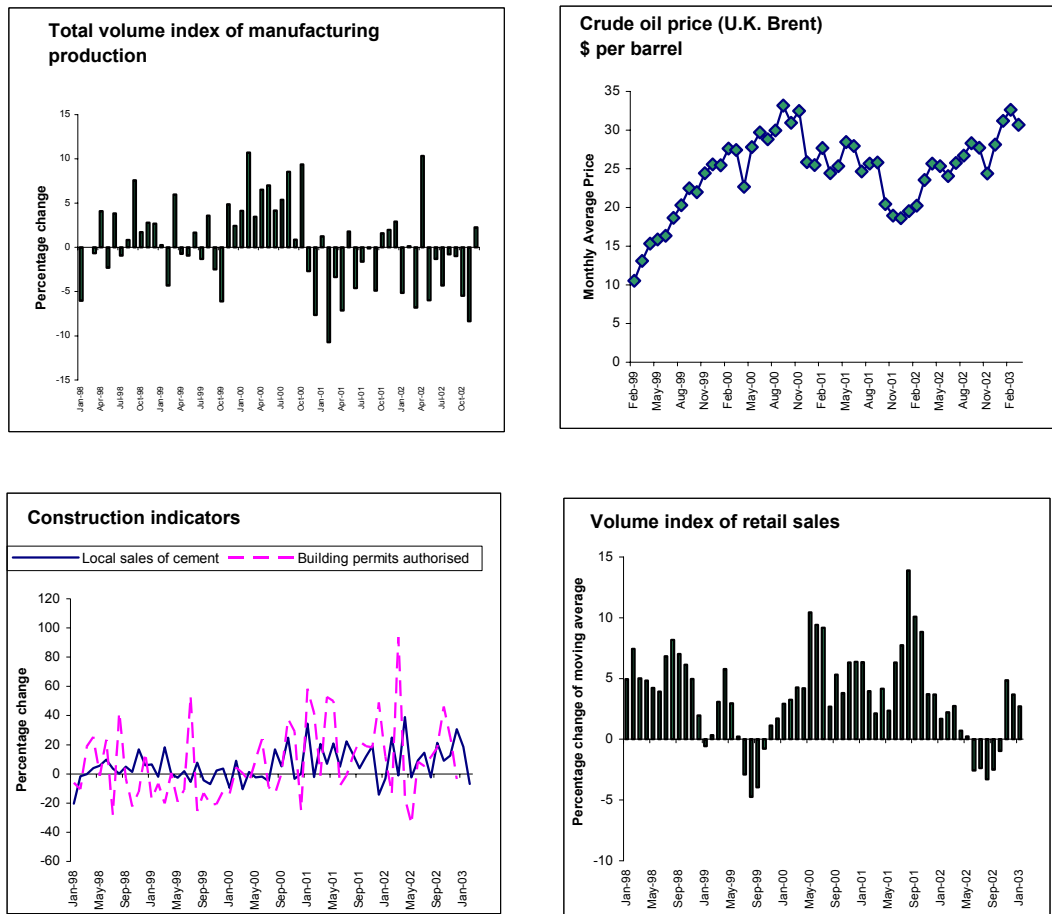
| | Feb. 02/01 | Feb. 03/02 | Jan.-Feb. 02/01 | Jan.-Feb. 03/02 |
|--|---------------|---------------|--------------------|--------------------|
| General index | 0,0 | -7,3 | -2,7 | -4,8 |
| Food products, beverages & tobacco | -7,6 | -7,0 | -7,9 | -1,6 |
| Textiles & textile products | -1,1 | -32,0 | -6,4 | -31,7 |
| Leather and leather products | 6,9 | -31,4 | 9,1 | -34,3 |
| Wood & wood products | -2,8 | -2,8 | -4,9 | -4,9 |
| Paper, paper products, publishing & printing | 2,0 | -1,3 | 1,6 | -3,8 |
| Refined petroleum products | -27,3 | 26,0 | -16,6 | -20,1 |
| Chemicals, chemical products and man-made fibres | 16,5 | -14,2 | 9,9 | -8,8 |
| Rubber and plastic products | 7,9 | -3,2 | 4,7 | -3,7 |
| Other non-metallic mineral products | 17,2 | 4,1 | 3,5 | 11,9 |
| Basic metals & fabricated metal products | 9,1 | -9,2 | 3,2 | -4,7 |
| Machinery and equipment n.e.c. | -9,5 | -20,1 | -3,7 | -16,3 |
| Electrical & optical equipment | 5,8 | -5,5 | 10,5 | -14,5 |
| Transport equipment | 17,8 | 12,2 | 19,0 | 10,8 |
| Manufacturing n.e.c. | -10,5 | -17,4 | -10,3 | -17,0 |

Chart 8

Consumption

The retail sales volume index did not register any change for the first quarter of 2003, compared with an increase of 2,2% in the first quarter of the previous year. In March 2003, the index rose by 2,6%, compared with a decrease of 0,2% in the same beginning month of 2002.

The course of the retail sales volume index during the first quarter of the year partly reflects the course of retail sales of cars, which registered a slowdown in the first quarter of 2003 compared with the same period of the previous year.

Chart 9

Private saloon car registrations, which provide another important indicator of consumer behaviour, exhibited sizeable increases in recent months, following the implementation of the tax reform on 1 July 2002, which included a significant reduction in excise taxes

on cars. In May 2003, car sales rose by 32,7%. For the period from January to May 2003, car registrations rose by 21,7%, compared with an increase of 28,8% in the same period of 2002.

Developments concerning non-oil imports for home consumption (excluding imports of military equipment) seem consistent with the subdued domestic demand observed in the first two months of 2003. These imports declined by 5,7% in the period from January to February 2003, compared with an increase of 8,3% in the same period of 2002.

The number of Cypriots traveling abroad also registered a deceleration. Specifically, the number of Cypriot travelers increased by 8,7% in 2002, compared with an increase of 16,9% in 2001, even though a rise of 52,0% was recorded in the last quarter of 2002. In the first quarter of 2003, the number of Cypriots traveling abroad declined by 12,1%, compared with a decline of 1,7% in the first quarter of 2002.

Table 19

Retail sales volume index

(percentage change by category)

| | Mar. 02/01 | Mar. 03/02 | Jan.-Mar. 02/01 | Jan.-Mar. 03/02 |
|-----------------------------------|---------------|---------------|--------------------|--------------------|
| General index | -0,2 | 2,6 | 2,2 | 0,0 |
| Food, drinks and tobacco | -8,3 | -4,0 | -7,1 | -3,6 |
| Clothing and textiles | -14,7 | 12,2 | -3,0 | 16,0 |
| Footwear & leather products | -9,8 | 10,2 | 3,1 | -2,1 |
| Electrical goods & appliances | -0,6 | -5,5 | 3,8 | 0,1 |
| Vehicles, machinery & spare parts | 15,2 | 11,7 | 14,1 | 1,7 |
| Supermarkets | -1,8 | -2,8 | 3,3 | -9,4 |
| Pharmacies | 2,3 | 8,4 | 4,2 | 11,0 |
| Furniture | -10,4 | -22,5 | 2,0 | -10,0 |
| Petrol stations | -2,9 | 22,7 | -0,2 | 13,5 |
| Toys | 30,2 | -37,6 | 5,6 | -21,8 |

Confidence indicators

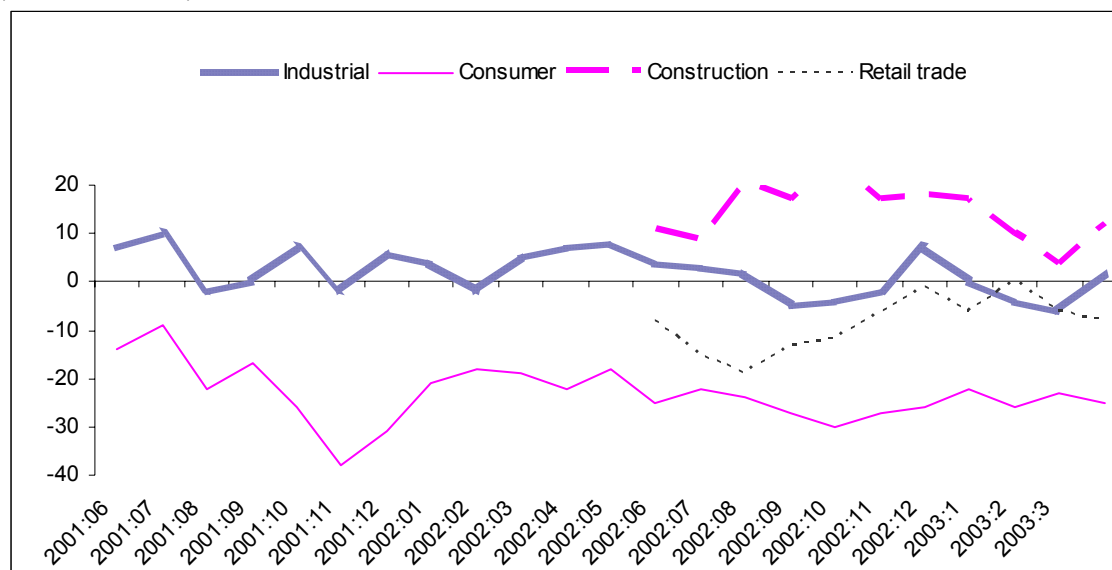
Chart 10 illustrates the course of confidence indicators for the Cypriot economy since May 2001, when the European Commission started their release.⁷ As this chart shows, trends in the confidence indicators are consistent with the overall picture of the Cypriot economy presented in this *Report*.

In particular, notwithstanding the fluctuations observed in 2002, the construction confidence indicator registered an overall positive trend. This trend is consistent with the satisfactory performance of the construction sector in 2002, as portrayed by the volume and value indices of building permits, and by cement sales. The construction confidence indicator remained positive in the first four months of 2003, although it declined somewhat in February and April.

The overall downward trend in the industrial confidence indicator, which continued in April 2003, is consistent with the negative picture depicted by the volume index of manufacturing production in 2002 and in the first months of 2003.

The consumer confidence indicator registered a negative course, notwithstanding the small increase observed in February 2003. This negative course is compatible with the considerable deceleration exhibited by private consumption. The retail trade confidence indicator also registered a decline in the first four months of 2003.

⁷ The European Commission publishes monthly confidence indicators for consumers, industry, construction and retail trade in the European Union member states and in the acceding countries. The released data refer to the end of each month and are based on surveys that are conducted by the national statistical institutes and harmonised by the European Commission.

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

According to the latest available data for the labour market, the number of registered unemployed increased by 18,6% in May 2003, while the unemployment rate, as a percentage of the economically active population, rose to 3,0%, compared with 2,6% in the same month of the previous year. For the first five months of 2003, the number of registered unemployed increased by 11,0%, compared with an increase of 14,6% in the same period of 2002, and the unemployment rate rose to 3,7%, from 3,4%. Rising unemployment has been observed since November 2001, concurrently with the recorded slowdown in overall economic activity.

Public finances

According to data from the Ministry of Finance, the fiscal deficit increased to £84,1 million in the first two months of 2003, from £19,1 million in the same period of the previous year. Public revenue grew by 17,9%, compared with a decrease of 10,5% in the first two months of 2002. At the same time, however, public expenditure registered a considerable acceleration, with a growth rate of 39,0%, up from 4,5% in the same period of the previous year, thus leading to the large increase in the fiscal deficit for the first two months of the year.

Table 20
Public finances summary

| | Jan.-Feb. 2002 | Jan.-Feb. 2003 | Jan.-Feb. 02/01 | Jan.-Feb. 03/02 |
|--|-------------------|-------------------|--------------------|--------------------|
| | (CYP million) | | (% change) | |
| Total revenue and grants | 272,3 | 321,0 | -10,5 | 17,9 |
| Direct taxes | 72,4 | 75,0 | -40,2 | 3,5 |
| Income tax | 48,9 | 43,5 | -48,1 | -11,0 |
| Indirect taxes | 115,1 | 132,3 | 5,9 | 14,9 |
| Value added tax | 55,9 | 64,6 | 4,5 | 15,7 |
| Excise taxes | 29,3 | 45,1 | 16,0 | 53,9 |
| Import duty | 10,0 | 3,3 | 38,8 | -67,3 |
| Social security funds contributions | 61,2 | 49,5 | 24,4 | -19,2 |
| Other revenues | 23,4 | 63,9 | -5,2 | 173,4 |
| Foreign grants | 0,1 | 0,4 | -41,7 | 202,2 |
| Total expenditure and net lending | 291,4 | 405,1 | 4,5 | 39,0 |
| Current expenditure | 279,2 | 379,7 | 6,1 | 36,0 |
| Goods and services | 135,0 | 153,4 | 14,9 | 13,6 |
| Wages and salaries | 87,3 | 99,3 | 6,0 | 13,7 |
| Current transfers | 48,6 | 93,2 | -30,6 | 91,8 |
| Social pension | 4,2 | 4,2 | 4,9 | 0,7 |
| Social security funds payments | 37,1 | 42,3 | 8,5 | 14,0 |
| Subsidies | 6,6 | 5,1 | -31,1 | -22,1 |
| Interest | 47,7 | 81,4 | 5,9 | 70,7 |
| Capital expenditure | 11,1 | 23,3 | -23,9 | 109,2 |
| Investment | 8,1 | 18,1 | -22,9 | 122,1 |
| Capital transfers | 3,0 | 2,6 | 67,0 | -13,4 |
| Net lending | 1,0 | 2,1 | 0,5 | 96,7 |
| Fiscal surplus (+)/deficit(-) | -19,1 | -84,1 | -175,6 | 339,6 |

Taking a more detailed look at public expenditure, current expenditure recorded a significant acceleration, while capital expenditure rose sharply. Among the categories of current expenditure, wages and salaries, interest payments and social security fund payments accelerated, while current transfers rose sharply. By contrast, social pension payments decelerated and subsidies declined. As regards capital expenditure, investment increased considerably, whereas capital transfers declined.

Turning to public revenue, tax receipts accelerated. In spite of the weak course of economic activity, both direct and indirect tax receipts increased. More specifically, as regards direct taxes, a small decrease was

recorded in income tax receipts –reflecting primarily the economic slowdown – which was offset by the increase in defence taxation. As regards indirect taxes, VAT receipts and excise taxes accelerated, owing to the increase in tax rates since July 2002, while import duties fell. Social security fund contributions also fell.

Overall assessment and outlook of the domestic economy in 2003

The Cypriot economy slowed in 2002, registering real GDP growth around 2,0%, down from a growth rate of 4,1% in 2001. This slowdown is underpinned by developments in tourism and the downturn in manufacturing. The observed deceleration in private consumption

and imports for home consumption also indicates a slowdown in the economy.

The economic slowdown is portrayed by the quarterly national accounts compiled by the Statistical Service. Specifically, in the first and second quarter of 2002, GDP grew at an annual rate of 2,3% and 0,5%, respectively. The growth rate reached 1,2% in the third quarter and 4,0% in the fourth quarter. It should be noted that the estimated growth rate for 2002, albeit subdued, is higher than in most European Union member states.

The end of the war in Iraq considerably reduced concerns about prospects for 2003. Even though economic developments remain uncertain, particularly concerning the likelihood of a rebound in tourism, it is evident that the

worst case scenario has been avoided. Tourism is not expected to decline by as much as originally predicted, although uncertainty still surrounds the prospects of tourism, partly due to the expected weak economic activity in Europe during 2003. Taking also into account the recent reduction in official interest rates and the expected further decline in oil prices, economic growth in 2003 will perhaps not be weaker than in 2002. As regards public finances, the Ministry of Finance expects the fiscal deficit to exceed 5,0% of GDP in 2003.

2.5 EXTERNAL TRANSACTIONS

Goods

Table 21 gives an overview of the trade balance for the first two months of 2003. Data for December 2002, and for January and February 2003 are provisional.

According to these data, total imports fell by 14,9% in the first two months of 2003, compared with a rise of 12,0% in the same period of the previous year. Both imports for home consumption and imports destined for re-exports registered a sizeable decrease, of the order of 13,1% and 31,9%, respectively. Non-oil imports for home consumption excluding imports of military equipment declined by 5,7%, compared with an increase of 8,3% in the first two months of 2002.

VAT receipts from imports of goods,⁸ which may be considered as an indicator of imports, registered a sharp increase of 51,5% in April 2003, reflecting the rise in the VAT standard rate from 10,0% to 15,0%. It therefore appears that the course of imports remained subdued in April 2003.

Turning to total exports, the provisional data indicate a continued decline in January and February 2003, which is attributable to the overall negative international climate and uncertainty surrounding the war in Iraq. Specifically, total exports decreased by 11,8% in the first two months of 2003, compared with a decrease of 10,4% in the same period of 2002. In particular, re-exports fell by 22,6%,

while domestic exports declined by 10,2%, compared with a rise of 15,3% in the first two months of 2002.

As a result of these developments, the crude trade deficit reached £251,0 million in the first two months of 2003, compared with a deficit of £297,7 million in the corresponding period of 2002.

Tables 22 and 23 present the latest available data on the breakdown of imports for home consumption and domestic exports, respectively, by category of goods. The data cover the period up to November 2002.

Concerning imports for home consumption, table 22 shows that in the period from January to November 2002, imports of consumer goods slowed, registering a growth rate of 3,4%, compared with 9,4% in the same period of 2001. Imports of intermediate inputs decreased marginally by 0,1%, compared with an increase of 6,2% in the first eleven months of 2001. Imports of capital goods fell by 7,3%, compared with a rise of 11,6% a year earlier. This fall is seen partly as a correction following the sizeable increase recorded in the previous two years and also reflects the overall slowdown in the economy during 2002. By contrast, imports of transport equipment and parts thereof registered an increase, which emanated mostly from the purchase of two aircraft, valued at a total of £42,5 million, by Cyprus Airways.

⁸ VAT is levied on all goods cleared through customs for the domestic market.

As regards domestic exports (table 23), a decline of 5,0% was registered in the period from January to November 2002, compared with an increase of 5,0% in the same period of 2001.

In contrast to the overall decline in exports, the exports of certain domestic industrial products, especially halloumi cheese and pharmaceuticals, remained strong.

Table 21

Trade balance data¹

(CYP million)

| | 2001/2000 yearly % change | 2001 Jan. - Feb. | 2002 Jan. - Feb. | 2003 Jan. - Feb. | 2002/2001 % change Jan. - Feb. | 2003/2002 % change Jan. - Feb. |
|--|------------------------------------|---------------------|---------------------|---------------------|---|---|
| Total imports (cif) | 2,4 | 336,8 | 377,0 | 321,0 | 12,0 | -14,9 |
| Imports for home consumption (cif) | 6,9 | 284,6 | 341,8 | 297,0 | 20,1 | -13,1 |
| Non oil civil imports for home consumption (cif) | 8,7 | 257,0 | 278,3 | 262,6 | 8,3 | -5,7 |
| <i>Imports destined for re-exports</i> | -18,8 | 52,2 | 35,2 | 24,0 | -32,6 | -31,9 |
| Total exports | 6,1 | 88,6 | 79,4 | 70,0 | -10,4 | -11,8 |
| Domestic exports (fob) | 4,5 | 30,9 | 35,6 | 32,0 | 15,3 | -10,2 |
| Re-exports (fob) | 12,5 | 50,7 | 40,0 | 31,0 | -21,0 | -22,6 |
| Shipstores | -16,4 | 7,0 | 3,7 | 7,0 | -47,2 | 89,4 |
| Trade balance | 3,7 | -248,2 | -297,7 | -251,0 | 19,9 | -15,7 |

¹ Figures for December 2002, January and February 2003 are provisional

Table 22**Imports (c.i.f.) by economic destination***(CYP million)*

| | 2000 yearly | 2001 yearly | 2000 Jan. - Nov. | 2001 Jan. - Nov. | 2002 Jan. - Nov. | 2000/1999 yearly % change | 2001/2000 yearly % change | 2001/2000 Jan. - Nov. % change | 2002/2001 Jan. - Nov. % change |
|--|----------------|----------------|---------------------|---------------------|---------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Consumer goods | 569,6 | 617,7 | 523,4 | 572,8 | 592,5 | 18,3 | 8,4 | 9,4 | 3,4 |
| Non-durable | 308,7 | 338,1 | 285,2 | 313,5 | 325,7 | 16,8 | 9,5 | 9,9 | 3,9 |
| Semi-durable | 157,4 | 170,4 | 145,3 | 159,6 | 165,5 | 18,5 | 8,3 | 9,8 | 3,7 |
| Durable | 103,5 | 109,2 | 92,9 | 99,7 | 101,3 | 22,4 | 5,5 | 7,3 | 1,6 |
| Intermediate inputs | 675,1 | 710,3 | 615,9 | 654,3 | 654,0 | 16,5 | 5,2 | 6,2 | -0,1 |
| Agricultural | 42,0 | 42,2 | 37,3 | 37,6 | 39,1 | 19,2 | 0,3 | 0,9 | 4,0 |
| Construction and mining | 110,4 | 120,7 | 100,2 | 112,2 | 124,7 | 19,4 | 9,4 | 12,0 | 11,1 |
| Manufacturing | 398,8 | 421,8 | 366,1 | 388,5 | 384,2 | 12,0 | 5,8 | 6,1 | -1,1 |
| Transport, storage and communication | 44,9 | 29,4 | 40,0 | 27,7 | 21,7 | 52,1 | -34,6 | -30,9 | -21,5 |
| Other sectors of the economy | 79,0 | 96,2 | 72,2 | 88,1 | 84,3 | 18,9 | 21,7 | 22,0 | -4,3 |
| Capital goods | 237,1 | 258,3 | 213,5 | 238,2 | 220,8 | 25,1 | 8,9 | 11,6 | -7,3 |
| Agricultural | 8,8 | 8,8 | 8,2 | 8,4 | 8,0 | 1,4 | 0,7 | 1,7 | -4,1 |
| Construction and mining | 15,7 | 20,6 | 14,0 | 19,3 | 19,3 | -37,7 | 31,3 | 37,3 | 0,2 |
| Manufacturing | 67,0 | 69,6 | 58,9 | 64,9 | 55,6 | 34,7 | 4,0 | 10,3 | -14,4 |
| Transport, storage and communication | 43,8 | 52,3 | 39,4 | 47,5 | 40,9 | 49,9 | 19,3 | 20,5 | -14,0 |
| Other sectors of the economy | 101,9 | 107,0 | 92,9 | 98,1 | 97,0 | 32,8 | 5,0 | 5,5 | -1,1 |
| Transport equipment and parts thereof | 186,4 | 226,6 | 171,8 | 210,8 | 257,0 | 3,1 | 21,6 | 22,7 | 21,9 |
| of which: | | | | | | | | | |
| passenger cars | 74,9 | 94,6 | 111,6 | 142,7 | 145,8 | 10,3 | 26,3 | 27,9 | 2,2 |
| spare parts | 53,3 | 61,3 | 56,0 | 64,4 | 64,8 | -3,0 | 15,1 | 15,0 | 0,6 |
| aircraft and parts | 0,8 | 0,6 | 0,0 | 0,0 | 42,7 | | | | |
| Fuels and lubricants | 269,3 | 266,1 | 248,5 | 249,8 | 211,9 | | | | |
| Unclassified | 31,1 | 97,9 | 84,6 | 86,6 | 109,2 | | | | |
| Imports for home consumption | 1968,7 | 2176,8 | 1857,7 | 2012,6 | 2045,4 | 22,4 | 6,9 | 8,3 | 1,6 |
| Imports destined for re-exports | 433,3 | 351,9 | 398,7 | 328,0 | 218,6 | 26,9 | -18,8 | -17,7 | -33,3 |
| Total imports | 2401,9 | 2528,7 | 2256,4 | 2340,6 | 2264,0 | 23,2 | 2,4 | 3,7 | -3,3 |
| <u>Memo item:</u> | 1668,0 | 1813,0 | 1524,7 | 1676,3 | 1724,9 | 16,5 | 8,7 | 9,9 | 2,9 |
| Non oil civil imports for home consumption | | | | | | | | | |

Source: Statistical Service of Cyprus

Table 23**Exports (f.o.b.) by economic origin***(CYP million)*

| | 2000 yearly | 2001 yearly | 2000 Jan. - Nov. | 2001 Jan. - Nov. | 2002 Jan. - Nov. | 2000/1999 yearly % change | 2001/2000 yearly % change | 2001/2000 Jan. - Nov. % change | 2002/2001 Jan. - Nov. % change |
|---|----------------|----------------|---------------------|---------------------|---------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Agricultural products (raw) | 34,4 | 43,8 | 32,4 | 41,9 | 34,6 | -5,7 | 27,4 | 29,2 | -17,4 |
| of which: | | | | | | | | | |
| potatoes | 12,3 | 17,5 | 12,3 | 17,5 | 10,7 | | | | |
| other vegetables | 3,2 | 4,2 | 2,6 | 3,6 | 3,4 | | | | |
| fresh, frozen or dried | | | | | | | | | |
| citrus fruit | 12,8 | 14,7 | 11,7 | 13,7 | 17,1 | | | | |
| Minerals and industrial products of mineral origin | 12,4 | 11,6 | 10,9 | 10,9 | 9,6 | 7,8 | -6,3 | -0,1 | -11,3 |
| Industrial products of agricultural origin | 28,2 | 28,0 | 26,2 | 25,6 | 30,8 | 11,4 | -0,7 | -2,2 | 20,1 |
| of which: | | | | | | | | | |
| halloumi cheese | 7,6 | 7,7 | 7,0 | 6,8 | 10,2 | 24,6 | 1,3 | | |
| fruit preserved | 1,5 | 0,9 | 1,5 | 0,9 | 0,9 | 0,0 | -40,0 | | |
| fruit and vegetable juices | 3,5 | 4,1 | 3,3 | 3,8 | 4,5 | 20,7 | 17,1 | | |
| beer | 1,0 | 1,0 | 1,0 | 0,9 | 0,8 | -8,6 | -0,5 | | |
| wines | 6,5 | 5,3 | 5,8 | 4,7 | 4,9 | -11,0 | -18,5 | | |
| meat | 2,8 | 2,9 | 2,8 | 2,7 | 4,1 | | | | |
| Industrial products of manufacturing origin | 148,8 | 150,5 | 136,3 | 137,8 | 130,4 | 11,9 | 1,1 | 1,1 | -5,4 |
| of which: | | | | | | | | | |
| cigarettes | 16,2 | 10,8 | 14,6 | 10,1 | 4,1 | | | | |
| cement | 10,8 | 8,4 | 9,5 | 6,8 | 8,2 | | | | |
| pharmaceutical products | 30,9 | 39,4 | 28,2 | 35,9 | 39,9 | 22,6 | 27,7 | 27,1 | 11,3 |
| articles of paper or of paperboard | 4,8 | 6,0 | 4,5 | 5,4 | 5,1 | | | | |
| clothing | 22,5 | 19,7 | 21,0 | 18,5 | 15,1 | -1,3 | -12,3 | -11,7 | -18,3 |
| footwear | 6,1 | 3,8 | 5,7 | 3,6 | 2,8 | | | | |
| furniture | 7,9 | 6,8 | 7,9 | 6,4 | 5,6 | | | | |
| Unclassified | 0,0 | 0,1 | 0,0 | 0,0 | 0,0 | | | | |
| Domestic exports | 224,0 | 233,9 | 205,9 | 216,3 | 205,4 | 8,4 | 4,5 | 5,0 | -5,0 |
| re-exports | 299,6 | 337,0 | 281,9 | 315,2 | 227,1 | 0,6 | 12,5 | 11,8 | -28,0 |
| shipstores | 68,3 | 57,1 | 64,9 | 54,8 | 39,8 | 76,4 | -16,4 | -15,6 | -27,5 |
| Total exports | 591,9 | 628,0 | 552,8 | 586,3 | 472,3 | 9,0 | 6,1 | 6,1 | -19,5 |

Source: Statistical Service of Cyprus

Tourism

As table 24 shows, April exhibited an improvement in tourist arrivals relative to the previous month. Specifically, tourist arrivals decreased by 5,9% in April 2003, after a fall of 33,9% in March 2003. For the first four months of 2003, tourist arrivals declined by 10,4%, compared with a decrease of 14,8% in the corresponding period of 2002.

Reflecting the decline in tourist arrivals, receipts from tourism decreased by 12,9% in April. For the first four months of the year, receipts from tourism fell by 13,2%, compared with a decrease of 3,6% in the same period of 2002.

Balance of payments prospects

On the basis of the data on external transactions discussed in this *Report*, in the context of the overall performance of the economy in 2002, the current account deficit is estimated to have widened to about 5,3% of GDP in 2002. Besides the downturn in tourism, the current account balance in 2002 was significantly affected by the purchase of aircraft by Cyprus Airways – valued at about £42,5 million or 0,7% of GDP – and by increased defence expenditure. The mitigation of the effects of these factors in 2003, combined with the likely recovery of the world economy, albeit marginal, and the revitalisation of tourism, is expected to lead to a small improvement in the current account balance in 2003. This improvement will depend on the strength of the recovery in tourism, which is yet uncertain, as well as on defence expenditure.

Table 24**Tourist arrivals¹***(number of persons)*

| | 1999 | 2000 | 2001 | 2002 | 2003 | % change 2001/2000 | % change 2002/2001 | % change 2003/2002 |
|--------------|-----------|-----------|-----------|-----------|---------|-----------------------|-----------------------|-----------------------|
| January | 57.740 | 63.553 | 64.214 | 54.067 | 59.529 | 1,0 | -15,8 | 10,1 |
| February | 74.041 | 87.243 | 83.569 | 71.950 | 77.972 | -4,2 | -13,9 | 8,4 |
| March | 126.494 | 135.487 | 137.578 | 138.625 | 91.634 | 1,5 | 0,8 | -33,9 |
| April | 180.076 | 221.785 | 237.228 | 180.481 | 169.891 | 7,0 | -23,9 | -5,9 |
| May | 273.317 | 299.355 | 324.901 | 279.070 | | 8,5 | -14,1 | |
| June | 276.879 | 302.011 | 322.835 | 293.192 | | 6,9 | -9,2 | |
| July | 322.041 | 362.299 | 373.385 | 327.404 | | 3,1 | -12,3 | |
| August | 341.088 | 356.686 | 371.536 | 301.724 | | 4,2 | -18,8 | |
| September | 309.498 | 329.964 | 329.400 | 306.731 | | -0,2 | -6,9 | |
| October | 270.732 | 300.597 | 269.744 | 275.840 | | -10,3 | 2,3 | |
| November | 118.105 | 133.500 | 107.454 | 111.327 | | -19,5 | 3,6 | |
| December | 84.274 | 93.722 | 74.887 | 77.822 | | -20,1 | 3,9 | |
| Jan. - April | 438.351 | 508.068 | 522.589 | 445.123 | 399.026 | 2,9 | -14,8 | -10,4 |
| Jan. - Dec. | 2.434.285 | 2.686.202 | 2.696.731 | 2.418.233 | | 0,4 | -10,3 | |

*Source: Statistical Service of Cyprus*¹ Arrivals of same - day visitors are not included**Table 25****Receipts from tourism¹***(CYP million)*

| | 2000 | 2001 | 2002 | 2003 | % change 2002/2001 | % change 2003/2002 |
|--------------|-------|---------|---------|-------|-----------------------|-----------------------|
| January | | 24,9 | 21,6 | 25,6 | -13,5 | 18,8 |
| February | | 29,1 | 28,9 | 31,4 | -0,9 | 8,9 |
| March | | 49,7 | 59,2 | 37,8 | 18,9 | -36,1 |
| April | | 89,9 | 77,0 | 67,1 | -14,3 | -12,9 |
| May | | 139,1 | 119,5 | | -14,1 | |
| June | 122,9 | 157,4 | 139,3 | | -11,5 | |
| July | 162,7 | 192,0 | 160,7 | | -16,3 | |
| August | 173,7 | 205,0 | 153,8 | | -25,0 | |
| September | 161,9 | 176,3 | 157,4 | | -10,7 | |
| October | 135,1 | 130,2 | 128,0 | | -1,7 | |
| November | 54,1 | 48,8 | 51,4 | | 5,4 | |
| December | 36,2 | 29,2 | 35,6 | | 21,8 | |
| Jan. - April | | 193,6 | 186,7 | 162,0 | -3,6 | -13,2 |
| Jan. - Dec. | | 1.271,6 | 1.132,4 | | -11,0 | |

*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 ⁽¹⁾ (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 ⁽¹⁾***(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 | 02 Jan. | 637,4 | 270,0 | | | | | 3,75 | 42 |
| | 02 Jan. | 293,0 | 230,0 | 3,75 | 3,63 | 3,56 | 3,73 | | 14 |
| | 16 Jan. | 156,5 | 120,0 | 3,75 | 3,53 | 3,49 | 3,59 | | 14 |
| | 30 Jan. | 133,0 | 100,0 | 3,75 | 3,55 | 3,50 | 3,69 | | 14 |
| | 13 Feb. | 386,0 | 150,0 | | | | | 3,75 | 42 |
| | 13 Feb. | 144,2 | 130,0 | 3,75 | 3,57 | 3,50 | 3,64 | | 14 |
| | 27 Feb. | 236,0 | 220,0 | 3,75 | 3,70 | 3,63 | 3,75 | | 14 |
| | 13 Mar. | 135,0 | 135,0 | 3,75 | 3,70 | 3,67 | 3,75 | | 14 |
| | 27 Mar. | 295,0 | 100,0 | | | | | 3,75 | 42 |
| | 27 Mar. | 127,0 | 127,0 | 3,75 | 3,71 | 3,68 | 3,72 | | 14 |
| | 10 Apr. | 157,0 | 125,0 | 3,50 | 3,40 | 3,39 | 3,44 | | 14 |
| | 24 Apr. | 95,0 | 60,0 | 3,50 | 3,42 | 3,32 | 3,50 | | 14 |
| | 08 May | 205,0 | 150,0 | 3,50 | 3,39 | 3,37 | 3,50 | | 14 |
| | 22 May | 157,0 | 150,0 | 3,50 | 3,39 | 3,35 | 3,47 | | 14 |
| | 05 June | 161,0 | 130,0 | 3,50 | 3,41 | 3,38 | 3,50 | | 14 |

(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)*

| | | 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 |
| 2001 | Dec. | 3,88 | 4,67 | 4,62 | 5,00 | 4,38 | 3,34 | 3,42 | 3,34 | 3,26 | 3,30 |
| 2002 | Jan. | 3,39 | 3,82 | 4,09 | - | - | 3,29 | 3,35 | 3,34 | 3,34 | 3,48 |
| | Feb. | 3,22 | 3,66 | 3,83 | - | 4,50 | 3,28 | 3,34 | 3,36 | 3,40 | 3,59 |
| | Mar. | 3,20 | - | 4,10 | 5,05 | 4,57 | 3,26 | 3,35 | 3,39 | 3,50 | 3,82 |
| | Apr. | 3,29 | - | 4,10 | 5,10 | - | 3,32 | 3,34 | 3,41 | 3,54 | 3,86 |
| | May | 3,28 | 3,74 | 4,25 | 4,60 | 5,02 | 3,31 | 3,37 | 3,46 | 3,62 | 3,95 |
| | June | 3,42 | 3,77 | 3,96 | 4,88 | 5,55 | 3,35 | 3,38 | 3,46 | 3,59 | 3,87 |
| | July | 3,45 | 3,00 | 4,00 | - | 4,95 | 3,30 | 3,36 | 3,41 | 3,48 | 3,64 |
| | Aug. | 3,33 | 3,67 | 4,02 | - | - | 3,29 | 3,33 | 3,35 | 3,38 | 3,44 |
| | Sep. | 3,72 | 3,70 | 4,29 | 5,02 | - | 3,32 | 3,32 | 3,31 | 3,27 | 3,24 |
| | Oct. | 3,40 | 3,50 | 3,73 | 4,19 | - | 3,30 | 3,31 | 3,26 | 3,17 | 3,13 |
| | Nov. | 3,79 | 3,28 | 4,15 | 4,15 | - | 3,30 | 3,23 | 3,12 | 3,04 | 3,02 |
| | Dec. | 3,52 | 3,13 | 3,33 | - | - | 3,09 | 2,98 | 2,94 | 2,89 | 2,87 |
| 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 | - | - | | | | | |

Sources: Central Bank of Cyprus and European Central Bank

Table 4**Bank interest rates***(percentages per annum)*

| | Lending rates ^{1, 2} | | | | | Deposit rates ^{1, 3} | | |
|-----------|--|-------------------------------|----------------------------|--|--------------|-------------------------------|--|--|
| | 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 |
| 2001 May | 7,92 | 7,92 | 8,95 | 8,67 | 10,50 | 2,00 | 5,25 | 6,50 |
| June | 7,92 | 7,92 | 8,95 | 8,67 | 10,50 | 2,00 | 5,25 | 6,50 |
| July | 7,92 | 7,92 | 8,95 | 8,67 | 10,50 | 2,00 | 5,25 | 6,50 |
| Aug. | 7,42 | 7,42 | 8,45 | 8,17 | 10,17 | 1,50 | 4,75 | 6,00 |
| Sept. | 6,92 | 6,92 | 7,95 | 7,67 | 9,67 | 1,00 | 4,25 | 5,42 |
| Oct. | 6,92 | 6,92 | 7,95 | 7,67 | 9,67 | 1,00 | 4,25 | 5,42 |
| Nov. | 6,42 | 6,42 | 7,45 | 7,17 | 9,00 | 0,50 | 3,75 | 4,92 |
| Dec. | 7,12 | 7,12 | 7,95 | 7,00 | 9,00 | 0,90 | 4,00 | 4,94 |
| 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 | 3,50 | 3,85 |

*(1) Reported as end of month.**(2) For the period Jan.01-Nov.01, data refer to the average of the minimum interest rates charged on each loan category, as reported by the three largest banks. From December 2001, data refer to the average of the representative interest rates charged on each loan category, as defined by the three largest banks.**(3) Data refer to the average of the representative interest rates offered on each deposit category, as defined by the three largest banks.*

Table 5**European retail bank interest rates***(percentages per annum, period averages)*

| | Deposit interest rates | | | | | | Lending interest rates | | | |
|-----------|------------------------|----------------------|---------------|--------------|----------------------|---------------|------------------------|-------------|------------------|--------------------|
| | Overnight | With agreed maturity | | | Redeemable at notice | | To enterprises | | To households | |
| | | Up to 1 year | Up to 2 years | Over 2 years | Up to 3 months | Over 3 months | Up to 1 year | Over 1 year | Consumer lending | For house purchase |
| 2001 Mar. | 1,02 | 3,82 | 3,82 | 4,32 | 2,50 | 3,99 | 7,04 | 6,32 | 10,22 | 6,18 |
| Apr. | 1,03 | 3,76 | 3,76 | 4,26 | 2,50 | 3,91 | 7,07 | 6,34 | 10,25 | 6,14 |
| May | 1,01 | 3,75 | 3,74 | 4,27 | 2,48 | 3,91 | 7,03 | 6,34 | 10,22 | 6,17 |
| June | 0,98 | 3,65 | 3,65 | 4,25 | 2,45 | 3,85 | 6,97 | 6,25 | 10,17 | 6,13 |
| July | 0,97 | 3,65 | 3,65 | 4,22 | 2,44 | 3,80 | 6,90 | 6,20 | 10,11 | 6,05 |
| Aug. | 0,96 | 3,59 | 3,59 | 4,14 | 2,40 | 3,68 | 6,89 | 6,19 | 10,16 | 5,96 |
| Sep. | 0,91 | 3,28 | 3,28 | 3,98 | 2,36 | 3,33 | 6,71 | 6,07 | 10,08 | 5,86 |
| Oct. | 0,84 | 3,06 | 3,06 | 3,84 | 2,29 | 3,01 | 6,46 | 5,82 | 9,99 | 5,65 |
| Nov. | 0,78 | 2,84 | 2,83 | 3,65 | 2,19 | 2,75 | 6,31 | 5,71 | 9,87 | 5,48 |
| Dec. | 0,74 | 2,79 | 2,78 | 3,77 | 2,17 | 2,79 | 6,26 | 5,69 | 9,81 | 5,52 |
| 2002 Jan. | 0,73 | 2,77 | 2,77 | 3,83 | 2,17 | 2,80 | 6,18 | 5,63 | 9,79 | 5,53 |
| Feb. | 0,73 | 2,78 | 2,79 | 3,95 | 2,15 | 2,91 | 6,16 | 5,75 | 9,83 | 5,61 |
| Mar. | 0,73 | 2,84 | 2,84 | 4,07 | 2,15 | 3,00 | 6,09 | 5,85 | 9,78 | 5,74 |
| Apr. | 0,74 | 2,89 | 2,90 | 4,13 | 2,14 | 3,07 | 6,17 | 5,95 | 9,83 | 5,81 |
| May | 0,74 | 2,91 | 2,92 | 4,15 | 2,15 | 3,08 | 6,20 | 5,98 | 9,87 | 5,82 |
| June | 0,74 | 2,93 | 2,94 | 4,09 | 2,13 | 3,08 | 6,18 | 5,92 | 9,83 | 5,77 |
| July | 0,74 | 2,89 | 2,90 | 4,02 | 2,13 | 3,02 | 6,16 | 5,79 | 9,78 | 5,68 |
| Aug. | 0,73 | 2,84 | 2,85 | 3,81 | 2,12 | 2,94 | 6,15 | 5,71 | 9,79 | 5,53 |
| Sep. | 0,73 | 2,77 | 2,77 | 3,64 | 2,13 | 2,73 | 6,12 | 5,61 | 9,85 | 5,38 |
| Oct. | 0,72 | 2,74 | 2,74 | 3,58 | 2,11 | 2,63 | 6,13 | 5,54 | 9,72 | 5,26 |
| Nov. | 0,71 | 2,70 | 2,69 | 3,53 | 2,11 | 2,55 | 6,10 | 5,50 | 9,70 | 5,21 |
| Dec. | 0,68 | 2,51 | 2,51 | 3,45 | 2,05 | 2,41 | 5,97 | 5,34 | 9,58 | 5,09 |
| 2003 Jan. | 0,63 | 2,43 | 2,43 | 3,29 | 2,04 | 2,34 | 5,95 | 5,29 | 9,58 | 4,91 |
| Feb. | 0,62 | 2,32 | 2,32 | 3,15 | 2,02 | 2,12 | 5,89 | 5,19 | 9,51 | 4,78 |
| Mar. | 0,59 | 2,20 | 2,19 | 3,08 | 1,98 | 2,05 | 5,76 | 5,17 | 9,36 | 4,69 |

Table 6**Calendar of interest rates announcements in 2003**

| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. | Oct. | Nov. | Dec. |
|-------------------------------------|---------------|-----------|------------|------------|-----------|-----------|------|------|------|------|------|------|
| European Central Bank ¹ | 9 2,75 | 6 2,75 | 6 2,50 | 3 2,50 | 8 2,50 | 5 2,00 | 10 | | 4 | 2 | 6 | 4 |
| Bank of England ² | 9 4,00 | 6 3,75 | 6 3,75 | 10 3,75 | 8 3,75 | 5 3,75 | 10 | 7 | 4 | 9 | 6 | 4 |
| Federal Reserve System ³ | 28/29 1,25 | | 18 1,25 | | 6 1,25 | 24/25 | | 12 | 16 | 28 | | 9 |
| Central Bank of Cyprus ⁴ | 24 5,00 | | 7 5,00 | 4 4,50 | 8 4,50 | 13 | 11 | | 5 | 17 | 28 | |

(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 (%)**

| | Yearly | | Quarterly | | | May 2002/ 2001 | Apr. 2003/ 2002 | May 2003/ 2002 | Jan.-May 2002/ 2001 | Jan.-Apr. 2003/ 2002 | Jan.-May 2003/ 2002 | Weights 1998=100 |
|--|-------------|--------------|--------------|--------------|--------------|----------------------|-----------------------|----------------------|---------------------------|----------------------------|---------------------------|---------------------|
| | 2001 | 2002 | 2002 III | 2002 IV | 2003 I | | | | | | | |
| GENERAL INDEX | 1,98 | 2,81 | 3,50 | 2,77 | 4,84 | 2,35 | 5,58 | 5,11 | 2,55 | 5,03 | 5,04 | 100,00 |
| A LOCAL GOODS | 1,34 | 4,35 | 6,26 | 5,15 | 9,34 | 2,62 | 11,78 | 10,78 | 3,24 | 9,96 | 10,12 | 36,69 |
| A.1 Agricultural | 4,50 | 1,79 | -1,98 | -8,41 | -0,17 | 2,61 | 2,67 | 10,38 | 12,91 | 0,53 | 2,35 | 7,93 |
| A.2 Industrial | 0,78 | 5,62 | 9,02 | 9,54 | 12,19 | 3,09 | 13,86 | 10,45 | 1,54 | 12,62 | 12,17 | 27,24 |
| A.2.1 industrial non-petroleum | 0,10 | 4,55 | 6,49 | 6,93 | 9,11 | 2,59 | 8,10 | 7,73 | 1,95 | 8,85 | 8,62 | 22,91 |
| A.2.2 fuel and gas | 3,99 | 10,57 | 20,42 | 21,87 | 26,59 | 5,44 | 41,76 | 22,94 | -0,37 | 30,42 | 28,83 | 4,33 |
| A.3 Electricity | -3,23 | -2,26 | 2,58 | 6,47 | 13,89 | -3,86 | 22,96 | 17,55 | -10,33 | 16,14 | 16,42 | 1,52 |
| B IMPORTED GOODS | 0,47 | -1,69 | -3,23 | -3,50 | -3,12 | -0,01 | -2,95 | -3,29 | -0,02 | -3,07 | -3,12 | 22,20 |
| B.1 Motor Vehicles | 0,55 | -5,07 | -10,10 | -10,17 | -11,40 | -0,30 | -11,19 | -11,16 | 0,03 | -11,35 | -11,31 | 9,43 |
| B.2 Other Imported | 0,41 | 0,85 | 1,96 | 1,41 | 3,23 | 0,21 | 3,20 | 2,55 | -0,05 | 3,22 | 3,08 | 12,77 |
| C SERVICES | 3,35 | 3,67 | 4,40 | 3,73 | 4,72 | 3,31 | 4,16 | 4,13 | 3,25 | 4,58 | 4,49 | 41,11 |
| Euro area inflation | 2,5 | | 2,1 | 2,3 | | 2,0 | | | 2,4 | | | |
| Underlying inflation for Cyprus¹ | 1,7 | 2,5 | 3,0 | 2,7 | 3,9 | 2,2 | 3,4 | 3,4 | 2,0 | 3,8 | 3,8 | |

1) Excluding changes in the prices of the following categories: A.1, A.2.2 and A.3

Table 8**Weighted contribution to the total change in the Consumer Price Index by economic origin (%)**

| | Yearly | | Quarterly | | | May 2002/ 2001 | Apr. 2003/ 2002 | May 2003/ 2002 | Jan.-May 2002/ 2001 | Jan.-Apr. 2003/ 2002 | Jan.-May 2003/ 2002 | Weights 1998=100 |
|--------------------------------|-------------|--------------|--------------|--------------|--------------|----------------------|-----------------------|----------------------|---------------------------|----------------------------|---------------------------|---------------------|
| | 2001 | 2002 | 2002 III | 2002 IV | 2003 I | | | | | | | |
| GENERAL INDEX | 1,98 | 2,81 | 3,50 | 2,77 | 4,84 | 2,35 | 5,58 | 5,11 | 2,55 | 5,03 | 5,04 | 100,00 |
| A LOCAL GOODS | 0,51 | 1,64 | 2,34 | 1,97 | 3,50 | 0,98 | 4,45 | 4,06 | 1,21 | 3,74 | 3,81 | 36,69 |
| A.1 Agricultural | 0,36 | 0,15 | -0,16 | -0,76 | -0,01 | 0,21 | 0,23 | 0,82 | 1,01 | 0,05 | 0,20 | 7,93 |
| A.2 Industrial | 0,21 | 1,53 | 2,45 | 2,60 | 3,25 | 0,86 | 3,80 | 2,91 | 0,42 | 3,39 | 3,29 | 27,24 |
| A.2.1 industrial non-petroleum | 0,02 | 1,02 | 1,44 | 1,56 | 2,01 | 0,59 | 1,84 | 1,77 | 0,44 | 1,96 | 1,92 | 22,91 |
| A.2.2 fuel and gas | 0,19 | 0,51 | 1,00 | 1,04 | 1,25 | 0,26 | 1,96 | 1,14 | -0,02 | 1,43 | 1,37 | 4,33 |
| A.3 Electricity | -0,07 | -0,05 | 0,05 | 0,13 | 0,26 | -0,08 | 0,43 | 0,33 | -0,22 | 0,31 | 0,31 | 1,52 |
| B IMPORTED GOODS | 0,10 | -0,35 | -0,68 | -0,73 | -0,64 | 0,00 | -0,61 | -0,68 | 0,00 | -0,63 | -0,64 | 22,20 |
| B.1 Motor Vehicles | 0,05 | -0,46 | -0,91 | -0,89 | -1,02 | -0,03 | -0,98 | -0,98 | 0,00 | -1,01 | -1,00 | 9,43 |
| B.2 Other Imported | 0,05 | 0,10 | 0,23 | 0,17 | 0,38 | 0,03 | 0,38 | 0,30 | -0,01 | 0,38 | 0,36 | 12,77 |
| C SERVICES | 1,37 | 1,52 | 1,84 | 1,53 | 1,98 | 1,37 | 1,73 | 1,72 | 1,35 | 1,92 | 1,88 | 41,11 |

Table 9**Percentage change in the Consumer Price Index by category of goods and services (%)**

| | Yearly | | Quarterly | | | May 2002/ 2001 | Apr. 2003/ 2002 | May 2003/ 2002 | Jan.-May 2002/ 2001 | Jan.-Apr. 2003/ 2002 | Jan.-May 2003/ 2002 | Weights |
|---|-------------|-------------|-------------|-------------|-------------|----------------------|-----------------------|----------------------|---------------------------|----------------------------|---------------------------|---------------|
| | 2001 | 2002 | 2002 III | 2002 IV | 2003 I | | | | | | | 1998=100 |
| GENERAL INDEX | 1,98 | 2,81 | 3,50 | 2,77 | 4,84 | 2,35 | 5,58 | 5,11 | 2,55 | 5,03 | 5,04 | 100,00 |
| Food & non-alcoholic beverages | 4,09 | 4,58 | 3,87 | 0,48 | 4,06 | 5,12 | 4,47 | 7,50 | 8,31 | 4,17 | 4,82 | 18,20 |
| Alcoholic beverages & tobacco | 2,79 | 13,32 | 21,65 | 22,93 | 35,18 | 2,36 | 34,74 | 33,65 | 1,33 | 35,07 | 34,78 | 1,78 |
| Clothing and footwear | -6,75 | -3,46 | -4,64 | -2,21 | 0,96 | -4,21 | 1,14 | 1,29 | -3,44 | 1,01 | 1,07 | 8,22 |
| Housing, water, electricity and gas | 1,59 | 4,08 | 5,41 | 5,64 | 5,59 | 3,62 | 7,22 | 6,00 | 2,41 | 6,00 | 6,00 | 21,27 |
| Furnishings, household equipment and supplies | 0,15 | 0,81 | 3,42 | 2,04 | 5,40 | -0,70 | 5,90 | 6,37 | -1,17 | 5,53 | 5,70 | 7,08 |
| Health | 5,41 | 4,70 | 5,17 | 4,28 | 7,35 | 4,41 | 5,35 | 3,84 | 4,70 | 6,84 | 6,23 | 4,92 |
| Transport | 2,29 | 0,39 | 0,19 | 0,45 | 1,48 | 1,40 | 4,27 | 0,43 | 0,43 | 2,18 | 1,82 | 17,42 |
| Communication | 1,73 | -8,81 | -6,70 | -13,92 | -10,64 | -7,87 | -9,49 | -9,60 | -7,37 | -10,35 | -10,20 | 1,79 |
| Recreation & culture | -0,50 | 2,20 | 3,42 | 2,73 | 4,88 | 1,54 | 4,87 | 4,18 | 1,20 | 4,88 | 4,74 | 5,88 |
| Education | 4,60 | 5,71 | 6,29 | 4,46 | 4,49 | 5,79 | 4,49 | 4,49 | 6,13 | 4,49 | 4,49 | 2,33 |
| Restaurants & hotels | 6,00 | 3,97 | 4,65 | 4,75 | 6,54 | 2,95 | 5,83 | 6,10 | 3,22 | 6,36 | 6,31 | 6,07 |
| Miscellaneous goods and services | 3,97 | 5,49 | 7,69 | 7,35 | 7,44 | 3,59 | 6,47 | 5,87 | 3,27 | 7,20 | 6,93 | 5,04 |

Table 10**Weighted contribution to the total change in the Consumer Price Index by category of goods and services (%)**

| | Yearly | | Quarterly | | | May 2002/ 2001 | Apr. 2003/ 2002 | May 2003/ 2002 | Jan.-May 2002/ 2001 | Jan.-Apr. 2003/ 2002 | Jan.-May 2003/ 2002 | Weights 1998=100 |
|---|-------------|-------------|-------------|-------------|-------------|----------------------|-----------------------|----------------------|---------------------------|----------------------------|---------------------------|-------------------------|
| | 2001 | 2002 | 2002 III | 2002 IV | 2003 I | | | | | | | |
| GENERAL INDEX | 1,98 | 2,81 | 3,50 | 2,77 | 4,84 | 2,35 | 5,58 | 5,11 | 2,55 | 5,03 | 5,04 | 100,00 |
| Food & non-alcoholic beverages | 0,75 | 0,86 | 0,72 | 0,09 | 0,79 | 0,93 | 0,86 | 1,41 | 1,52 | 0,81 | 0,93 | 18,20 |
| Alcoholic beverages & tobacco | 0,06 | 0,27 | 0,44 | 0,46 | 0,71 | 0,05 | 0,70 | 0,69 | 0,03 | 0,71 | 0,71 | 1,78 |
| Clothing and footwear | -0,54 | -0,25 | -0,32 | -0,17 | 0,06 | -0,33 | 0,08 | 0,09 | -0,25 | 0,07 | 0,07 | 8,22 |
| Housing, water, electricity and gas | 0,34 | 0,88 | 1,18 | 1,20 | 1,22 | 0,78 | 1,57 | 1,31 | 0,53 | 1,31 | 1,31 | 21,27 |
| Furnishings, household equipment and supplies | 0,01 | 0,05 | 0,23 | 0,14 | 0,35 | -0,05 | 0,38 | 0,41 | -0,08 | 0,36 | 0,37 | 7,08 |
| Health | 0,27 | 0,25 | 0,27 | 0,22 | 0,39 | 0,23 | 0,29 | 0,21 | 0,25 | 0,36 | 0,33 | 4,92 |
| Transport | 0,40 | 0,07 | 0,03 | 0,08 | 0,26 | 0,24 | 0,73 | 0,07 | 0,08 | 0,37 | 0,31 | 17,42 |
| Communication | 0,03 | -0,13 | -0,10 | -0,19 | -0,14 | -0,11 | -0,12 | -0,13 | -0,11 | -0,14 | -0,14 | 1,79 |
| Recreation & culture | -0,03 | 0,12 | 0,19 | 0,15 | 0,26 | 0,08 | 0,26 | 0,22 | 0,07 | 0,26 | 0,26 | 5,88 |
| Education | 0,11 | 0,14 | 0,16 | 0,11 | 0,11 | 0,14 | 0,11 | 0,11 | 0,15 | 0,11 | 0,11 | 2,33 |
| Restaurants & hotels | 0,38 | 0,26 | 0,31 | 0,31 | 0,43 | 0,19 | 0,38 | 0,40 | 0,21 | 0,42 | 0,41 | 6,07 |
| Miscellaneous goods and services | 0,20 | 0,28 | 0,40 | 0,37 | 0,39 | 0,18 | 0,33 | 0,30 | 0,17 | 0,37 | 0,36 | 5,04 |

Table 11**Inward portfolio investment: Purchase of shares listed on the Cyprus Stock Exchange by non-residents¹***(CYP thousand)*

| Country | 2001 Apr. | 2001 May | 2001 June | 2001 July | 2001 Aug. | 2001 Sep. | 2001 Oct. | 2001 Nov. | 2001 Dec. | 2002 Jan. | 2002 Feb. | 2002 Mar. | 2002 Apr. | 2002 May | 2002 June | 2002 July | 2002 Aug. | 2002 Sep. | 2002 Oct. | 2002 Nov. | 2002 Dec. |
|--------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Australia | 11,8 | 6,1 | 55,6 | 13,2 | 34,6 | 5,3 | 3,6 | 0,4 | 4,4 | 0,9 | 0,0 | 1,8 | 0,0 | 0,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Austria | 0,2 | 21,7 | 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 |
| Belgium | 0,0 | 5,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| British Virgin Islands | 0,0 | 0,0 | 0,0 | 1,2 | 33,2 | 23,1 | 36,0 | 56,9 | 25,1 | 67,1 | 76,7 | 9,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Canada | 0,3 | 12,3 | 11,7 | 0,6 | 0,0 | 0,6 | 0,9 | 0,1 | 0,0 | 0,5 | 7,4 | 1,8 | 39,8 | 0,0 | 0,0 | 0,0 | 14,5 | 0,0 | 0,0 | 0,4 | 0,0 |
| Cuba | 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 |
| Czech Republic | 0,0 | 4,4 | 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 |
| Egypt | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 17,1 | 8,4 | 0,0 | 0,5 | 2,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Finland | 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 | 2,1 | 0,0 |
| France | 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 |
| Georgia | 0,0 | 0,0 | 1,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Germany | 53,7 | 52,7 | 19,7 | 9,3 | 2,1 | 0,0 | 0,0 | 3,6 | 3,3 | 15,6 | 0,0 | 4,8 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 10,0 | 0,0 | 0,0 |
| Greece | 723,1 | 1.089,6 | 394,6 | 427,5 | 912,9 | 468,4 | 710,6 | 577,8 | 108,9 | 221,9 | 34,3 | 92,4 | 245,2 | 88,8 | 17,7 | 55,5 | 2,6 | 0,0 | 0,0 | 3,2 | 12,5 |
| Iran | 0,0 | 0,0 | 0,0 | 0,0 | 3,6 | 1,5 | 6,4 | 10,9 | 0,4 | 0,2 | 0,0 | 9,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Ireland | 35,8 | 6,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 4,4 | 2,3 | 2,4 | 0,0 | 0,0 | 0,0 | 4,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Italy | 0,0 | 0,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 4,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Jordan | 20,1 | 0,0 | 14,7 | 5,3 | 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 | 0,0 | 0,0 | 0,0 | 0,0 |
| Latvia | 0,0 | 0,0 | 11,6 | 0,0 | 0,0 | 0,0 | 4,8 | 23,3 | 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 |
| Lebanon | 7,6 | 2,8 | 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 | 40,9 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Mexico | 0,0 | 0,0 | 0,0 | 22,1 | 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 |
| Moldova | 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 |
| Netherlands | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Panama | 0,1 | 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 |
| Philippines | 0,0 | 0,0 | 0,0 | 1,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 |
| Russia | 17,6 | 105,6 | 41,2 | 26,6 | 48,7 | 35,2 | 45,0 | 41,3 | 81,5 | 22,1 | 3,0 | 0,6 | 0,0 | 8,1 | 8,9 | 0,0 | 0,3 | 2,4 | 0,0 | 0,0 | 0,0 |
| Saudi Arabia | 10,4 | 18,8 | 0,0 | 6,8 | 41,7 | 77,5 | 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 | 0,0 | 0,0 |
| South Africa | 11,9 | 41,8 | 8,0 | 28,4 | 58,4 | 117,1 | 26,5 | 235,6 | 68,6 | 139,1 | 122,7 | 61,8 | 94,3 | 68,7 | 7,9 | 39,2 | 10,7 | 31,8 | 15,8 | 155,4 | 26,1 |
| Spain | 0,0 | 8,0 | 0,0 | 0,0 | 0,0 | 0,0 | 4,6 | 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 | 0,0 |
| Switzerland | 11,8 | 6,4 | 1,7 | 3,5 | 0,0 | 0,0 | 0,0 | 2,2 | 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 |
| Syria | 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 |
| Ukraine | 54,7 | 59,3 | 58,6 | 55,4 | 29,1 | 36,6 | 10,6 | 98,4 | 14,9 | 14,6 | 0,0 | 0,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| United Arab Emirates | 0,0 | 0,0 | 0,0 | 0,3 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| United Kingdom | 169,0 | 271,1 | 132,5 | 59,7 | 53,6 | 107,4 | 20,6 | 137,0 | 44,6 | 68,9 | 35,0 | 25,3 | 13,5 | 12,3 | 9,7 | 22,3 | 15,3 | 8,6 | 6,6 | 11,7 | 11,2 |
| United States of America | 56,4 | 50,1 | 3,0 | 10,6 | 3,3 | 0,0 | 39,9 | 3,9 | 0,0 | 14,8 | 0,0 | 0,0 | 35,6 | 22,7 | 0,0 | 2,7 | 7,3 | 1,0 | 0,0 | 0,0 | 0,0 |
| Yugoslavia | 20,9 | 0,0 | 22,6 | 7,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,4 | 0,8 | 0,4 | 0,0 | 1,2 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 1,1 | 0,0 |
| Zambia | 0,0 | 31,2 | 16,5 | 5,5 | 34,3 | 0,0 | 5,5 | 12,0 | 5,0 | 0,7 | 7,2 | 4,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Zimbabwe | 0,8 | 0,0 | 0,0 | 3,8 | 2,1 | 0,0 | 0,9 | 1,2 | 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 |
| Unidentified | 0,0 | 23,5 | 1,2 | 0,0 | 3,7 | 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 |
| Total | 1.206,2 | 1.817,3 | 794,6 | 688,5 | 1.261,6 | 872,7 | 915,9 | 1.226,0 | 367,3 | 569,9 | 291,9 | 214,7 | 429,5 | 207,0 | 44,2 | 160,7 | 50,7 | 43,8 | 32,5 | 173,9 | 49,8 |

(1) These figures refer to shares not included in the dematerialisation process.

Table 12**Inward portfolio investment: Sale of shares listed on the Cyprus Stock Exchange by non-residents¹***(CYP thousand)*

| Country | 2001 Apr. | 2001 May | 2001 June | 2001 July | 2001 Aug. | 2001 Sep. | 2001 Oct. | 2001 Nov. | 2001 Dec. | 2002 Jan. | 2002 Feb. | 2002 Mar. | 2002 Apr. | 2002 May | 2002 June | 2002 July | 2002 Aug. | 2002 Sep. | 2002 Oct. | 2002 Nov. | 2002 Dec. |
|--------------------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Australia | 0,0 | 5,6 | 0,0 | 0,0 | 15,6 | 14,0 | 0,0 | 5,0 | 10,7 | 0,4 | 2,5 | 1,0 | 0,0 | 2,5 | 0,0 | 0,0 | 0,0 | 0,0 | 1,2 | 0,0 | 0,0 |
| Austria | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 27,7 | 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 |
| British Virgin Islands | 0,0 | 0,0 | 37,8 | 15,0 | 44,7 | 22,8 | 9,1 | 51,4 | 20,9 | 39,6 | 0,1 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Canada | 0,3 | 0,0 | 2,2 | 0,0 | 0,5 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Cuba | 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 |
| Egypt | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 5,9 | 8,8 | 0,0 | 0,9 | 0,5 | 0,0 | 0,0 | 0,0 | 7,6 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| France | 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 |
| Germany | 0,0 | 0,7 | 4,2 | 1,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 |
| Greece | 447,5 | 811,2 | 461,9 | 269,3 | 331,6 | 391,7 | 348,2 | 555,8 | 135,0 | 22,9 | 65,1 | 111,4 | 1,3 | 5,8 | 25,9 | 0,0 | 6,9 | 0,0 | 0,0 | 4,3 | 0,0 |
| Iran | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 2,9 | 1,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Italy | 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 |
| Latvia | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 7,4 | 0,5 | 0,0 | 4,9 | 1,8 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Lebanon | 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 |
| Moldova | 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 |
| Netherlands | 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 |
| Philippines | 15,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Russia | 0,0 | 0,2 | 0,1 | 0,2 | 0,3 | 5,0 | 20,1 | 10,6 | 23,2 | 23,2 | 9,8 | 2,6 | 31,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| South Africa | 0,0 | 0,3 | 0,0 | 1,0 | 44,1 | 36,0 | 165,3 | 20,1 | 100,6 | 46,8 | 157,3 | 9,2 | 23,4 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 61,5 | 0,0 | 0,0 |
| Spain | 0,0 | 5,5 | 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 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Switzerland | 0,0 | 0,0 | 27,5 | 176,2 | 59,1 | 152,9 | 30,5 | 7,4 | 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 |
| Syria | 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 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Ukraine | 0,0 | 9,2 | 17,5 | 0,4 | 11,5 | 0,0 | 0,0 | 1,3 | 6,4 | 1,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| United Kingdom | 125,7 | 80,4 | 210,2 | 64,2 | 32,9 | 43,0 | 19,2 | 60,6 | 19,1 | 14,4 | 12,4 | 18,4 | 1,0 | 4,0 | 196,7 | 0,5 | 0,0 | 1,3 | 0,0 | 0,7 | 0,0 |
| United States of America | 388,9 | 183,8 | 115,5 | 131,3 | 165,8 | 73,1 | 490,2 | 1.286,1 | 250,4 | 202,1 | 97,2 | 78,1 | 0,0 | 10,8 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Yugoslavia | 8,1 | 0,0 | 11,9 | 0,0 | 0,0 | 5,5 | 0,0 | 0,0 | 1,1 | 5,8 | 0,1 | 1,4 | 0,0 | 0,6 | 0,5 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Unidentified | 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 |
| Total | 988,0 | 1.097,0 | 888,8 | 659,0 | 706,1 | 771,8 | 1.090,2 | 2.007,4 | 577,1 | 361,7 | 347,3 | 222,6 | 57,4 | 23,7 | 223,1 | 8,1 | 6,9 | 1,3 | 62,7 | 5,0 | 0,0 |

(1) These figures refer to shares not included in the dematerialisation process.

