



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

MONETARY
POLICY
REPORT

MARCH 2003



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

MONETARY
POLICY
REPORT

MARCH 2003

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
ECONOMIC RESEARCH DEPARTMENT**

Address:

**80 Kennedy Avenue
1076 Nicosia
Cyprus**

Postal Address:

**P.O. Box 25529
CY-1395 Nicosia
Cyprus**

Telephone:

+357-22714433

Web site:

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

E-mail:

erdept@centralbank.gov.cy

Fax:

+357-22378155

Telex:

2424, 2228

All rights reserved.

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

Available, in PDF format at www.centralbank.gov.cy/nqcontent.cfm?a_id=661

CONTENTS

1. INTRODUCTION	1
2. ECONOMIC DEVELOPMENTS.....	1
2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES.....	3
2.2 MONETARY DEVELOPMENTS.....	11
2.3 INFLATION	27
2.4 DOMESTIC ECONOMY	29
2.5 EXTERNAL TRANSACTIONS	39
BOXES	
1. Monitoring credit expansion.....	19
3. ANNEX	45

1. INTRODUCTION

The imminent threat of war in Iraq brings again into the forefront the dependence of the global economy on oil, along with memories of previous recessions when oil prices rose sharply. A series of indicators shows that world economic activity was more sluggish than originally expected, and hence expectations for international growth rates in 2003 have been revised downwards. Against this background of uncertainty and pessimism, the European Central Bank, aided by the appreciation of the euro, which contributes to dampening inflationary pressures, reduced official interest rates by 0,25% on 6 March 2003, without excluding the possibility of further reduction in the course of 2003. The US Federal Reserve System and the Bank of England are also expected to further reduce interest rates before the end of the year.

Turning to domestic developments, as expected, a considerable increase in inflation was registered in January 2003. Specifically, the inflation rate rose to 4,10% in January, from 2,94% in the previous month. This development largely reflected 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 – and the rise in oil prices. The analysis of inflation by product category indicates that the rise in inflation in January stemmed from the acceleration in the prices of domestic industrial goods, electricity and services. A significant moderating effect on inflation was exerted by the decline in the prices of domestic agricultural products and motor vehicles.

As regards prospects for 2003, taking into account the influence of the increase in the VAT rate and of changes in other indirect taxes, as well as the cumulative effect of the automatic

indexation of wages, inflation is expected to rise to a range between 4,0 and 4,5%, from 2,81% in 2002.

Considering monetary developments, credit expansion accelerated somewhat in January 2003 compared with the previous month, but remained at the low levels registered in 2002. Specifically, the annual growth rate of credit to the private sector increased to 8,3% in January 2003, compared with 8,0% in December 2002 and 11,6% in January 2002. In this environment of subdued credit expansion, excess bank liquidity persisted, being a potential inflationary risk in case of a reversal in the demand for loans. Aiming 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 in January 2003. It is pointed out, however, that this recovery reflects base effects associated with the sharp decline in tourism that followed the events of 11 September 2001, while in absolute terms, the number of tourist arrivals remained below the level recorded in 2001. The decrease in tourist arrivals in 2002 stood at 10,3%, compared with an increase of 0,4% in 2001. In parallel, receipts from tourism fell by 12,7% in the first ten months of 2002.

As regards external trade, total imports fell by 18,7% in October 2002, compared with a decrease of 3,2% in the same month of 2001. However, imports for home consumption excluding imports of fuels and military equipment increased somewhat in October. For the entire

period from January to October 2002, total imports declined by 4,9%, compared with an increase of 6,2% in the same period of 2001. Total exports fell by 28,9% in October 2002, primarily on account of the fall in re-exports. For the period from January to October 2002, total exports fell by 18,9%, compared with an increase of 6,3% in the same period of the previous year.

Private consumption, as reflected by the retail sales volume index, declined by 0,8% in October 2002, compared with an increase of 4,3% in the same month of 2001. For the first ten months of 2002, private consumption decreased by 0,4%, compared with an increase of 6,4% in the corresponding period of 2001. The decline in the retail sales volume index is consistent with the deceleration in the growth of imports for home consumption in the first ten months of 2002.

Turning to the labour market, the number of registered unemployed increased in January 2003, continuing the upward trend observed since November 2001. The unemployment rate reached 4,2% of the economically active population in January 2003, compared with 4,1% 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 November 2002, and on the other hand, the performance of construction remained generally encouraging. In particular, both the volume and value indices of building permits as well as cement sales increased in 2002.

As regards public finances, according to the latest available data from the Ministry of Finance, the fiscal deficit reached £200,6 million in the first ten months of 2002, compared with £112,4 million in the corresponding period of 2001. Public revenue increased by 1,8%, compared with a growth rate of 10,0% in the same period of 2001, and public expenditure also registered a significant deceleration.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

The worldwide uncertainty surrounding geopolitical developments is hampering global economic recovery. Both consumption and investment expenditure remain subdued, while oil and gold prices have risen in view of the possible war in Iraq. Equity prices in major financial centres continued to decline in January 2003. At their recent meetings, in January and February, respectively, the US Federal Reserve System and the European Central Bank maintained their official interest rates unchanged, while the Bank of England unexpectedly reduced its key interest rate by 25 basis points on 6 February 2003.¹

In the **United States**, notwithstanding the improvement registered by certain indicators, the overall economic climate remained subdued. Indicatively, industrial production grew at an annual rate of 2,0% in January 2003, compared with an increase of 2,1% in December and 1,8% in November 2002. Unemployment declined to 5,7% in January 2003, from 6,0% in December 2002. However, this decline is attributable to seasonal factors. The trade deficit widened considerably in December, and the overall trade deficit for 2002 reached USD 435 billion – an expansion of 21,0% compared with 2001.

The large trade deficit is a potential risk for the stability of both the US dollar and US interest rates. Prices of bonds, which are considered as a safe form of investment in times of uncertainty, rose to very high levels, and at the same time equity prices continued to fall. Specifically, in January 2003, the Dow Jones, S&P 500 and Nasdaq indices declined by 4,7%, 4,0% and 1,3%, respectively.

In the **euro area**, industrial production contracted by 1,5% in December 2002, as in the two largest economies of the area, Germany and France, industrial production decreased by 2,6% and 1,7%, respectively. Unemployment remained broadly stable at 8,5% in January 2003, while inflation decreased to 2,1%, from 2,3% in December. The European Central Bank expects that in the current year, inflation will decline further to a level below the 2,0% limit. This projection is based primarily on the effects of the recent appreciation of the euro. Equity prices continued to decline in January, with Germany's DAX index registering a decrease of 5,0%, while France's CAC 40 index and Italy's BCI index declined by 4,1% and 4,3%, respectively.

¹ On 6 March 2003, the European Central Bank reduced its official interest rates by 0,25%. At a meeting on the same day, the Bank of England maintained its key interest rate unchanged.

In **Britain**, RPIX inflation remained roughly unchanged at 2,7% in January 2003, above the Bank of England's 2,5% target. Industrial production decreased further by 1,4% in December 2002 compared with December 2001, after a corresponding decrease of 1,2% in November. Retail sales slowed to an annual growth rate of 4,2% in January 2003, compared with 6,4% in the previous month. The FTSE 100 stock price index fell by 9,5% in January.

In **Japan**, the moderation of the growth of money supply to 2,0% in the twelve months to January 2003, down from an increase of 3,5% in the corresponding period of the previous year, is a cause for concern, as deflation weighs on the economy. In contrast, an increase in GDP was registered in the fourth quarter of 2002, and as a result GDP for the whole year increased by 0,3%. Nevertheless, the government and the Bank of Japan expect that the economy will remain weak, with low industrial production and low consumption expenditure. The Nikkei stock price index fell by 4,3% in January.

In the **crude** oil market, prices continued to rise, reaching an average of USD 31,18 per barrel in January 2003, compared with USD 28,14 per barrel in December 2002. The Organisation of Petroleum Exporting Countries announced that in case of war in Iraq, it will act in a timely manner to avoid shortages in the markets.

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

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

¹ Figures in parentheses indicate the corresponding previous month projection, in case of change² The Economist, 22 February, 2003³ Lehman Brothers Global Weekly Economic Monitor, 21 February, 2003⁴ OECD, Economic Outlook, No.72, December, 2002**Table 2****Major share indices***(closing prices)*

	2002	2003		
	31 Dec.	2 Jan.	31 Jan.	% change Jan.03/Dec.02
USA				
Dow Jones	8.332,9	8.341,6	7.945,1	-4,7
S&P 500	879,4	879,8	844,6	-4,0
Nasdaq	1.339,5	1.335,5	1.322,4	-1,3
Germany				
DAX	2.892,6	3.105,0	2.747,8	-5,0
France				
CAC 40	3.063,9	3.195,0	2.937,9	-4,1
Italy				
BCI	1.091,9	1.116,8	1.044,5	-4,3
Britain				
FTSE 100	3.940,4	4.009,5	3.567,4	-9,5
Japan				
Nikkei 225	8.714,1	8.713,3 *	8.339,9	-4,3

Source: Reuters

* Closing price as at 6 January 2003

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

	GDP				Industrial production December (annual)	Retail sales December (annual)	Unemployment December (annual)	Inflation ¹ December (annual)
	(quarterly)	(annual)	(quarterly)	(annual)				
Britain	3,4 Q3	1,8 Q3	1,3 Q4	2,2 Q4	-1,4	4,2 ²	5,1 ⁴	2,7 ²
Japan	3,2 Q3	1,3 Q3	2,0 Q4	2,6 Q4	6,4	-3,0	5,5	-0,3
USA	4,0 Q3	3,2 Q3	0,7 Q4	2,8 Q4	2,0 ²	4,9	5,7 ²	2,4
Euro area	1,6 Q2	0,7 Q2	1,2 Q3	0,9 Q3	-0,5	- 0,4 ³	8,5	2,1 ²

*Source: The Economist, 22 February 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 January 2003³ Data of November 2002⁴ October - December 2002**International currencies**

The euro continued to appreciate against the US dollar in January 2003, for the second consecutive month, reaching USD 1,08 on the last day of January, compared with USD 1,05 on the first day of the month and USD 0,99 on the first day of December 2002. More recent data up to the third week of February show that the US dollar remained weak against the euro, while it showed signs of recovery vis-à-vis the pound sterling.

The continuing weakening of the US dollar is attributable to several factors: the continuing instability in US equity markets, the mixed data released for the US economy, the increased likelihood of military conflict between the United States and Iraq, as well as to the US confrontation with North Korea. It should be noted, however, that the euro area economy also showed further signs of uncertainty in January 2003, as weak economic data were released.

The pound sterling fluctuated somewhat vis-à-vis the euro in January 2003, and registered a slight depreciation compared with previous months,

reaching GBP 0,66 per EUR at the end of the month. In parallel, the pound sterling strengthened considerably against the US dollar, reaching USD 1,65, compared with USD 1,61 at the beginning of the month. This course of the pound sterling was accompanied by releases of mixed data for the UK economy. For example, inflation remained unchanged, while car sales increased. By contrast, very weak data for manufacturing, services and the labour market enhanced concerns about the prospects of recovery in the UK economy.

The Japanese yen fluctuated between JPY 124 and 128 per USD in January 2003, registering a downward course, which reflects continuing investor concern about the instability of the country's financial system and the protracted downturn in the Japanese economy.

An overview of international exchange rate fluctuations in the recent past until end-January 2003 is presented in chart 1.

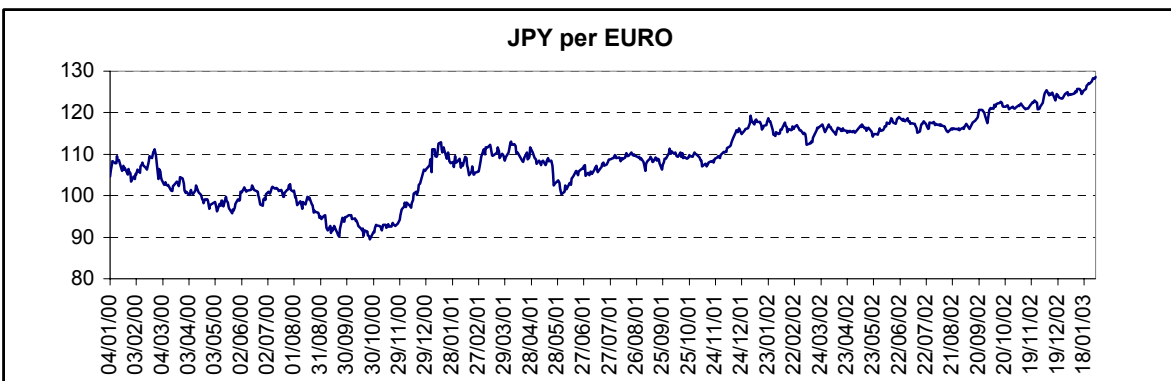
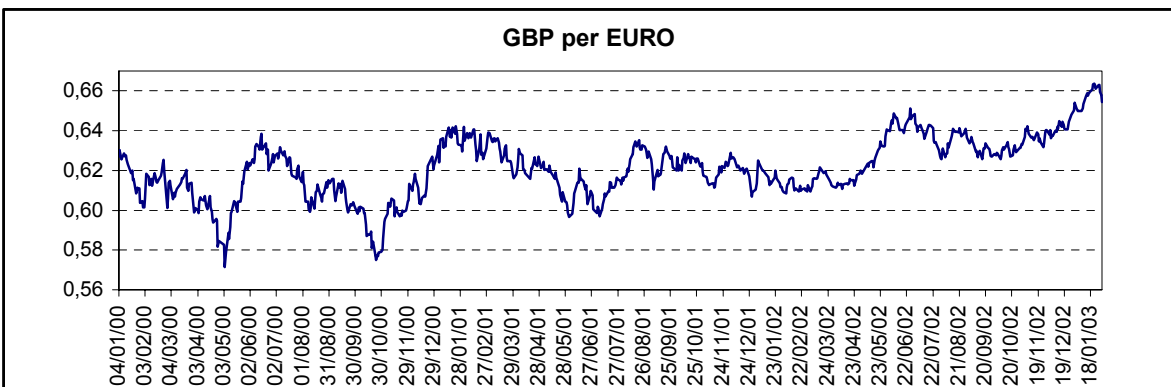
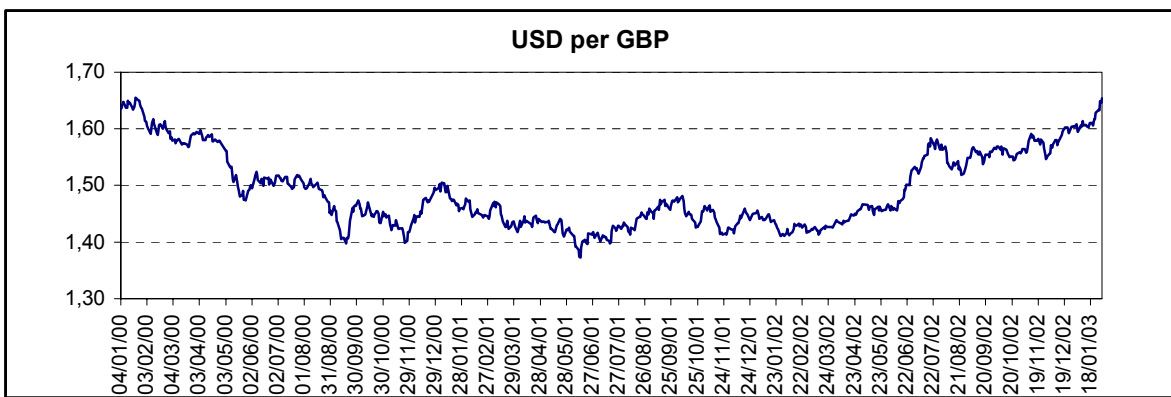
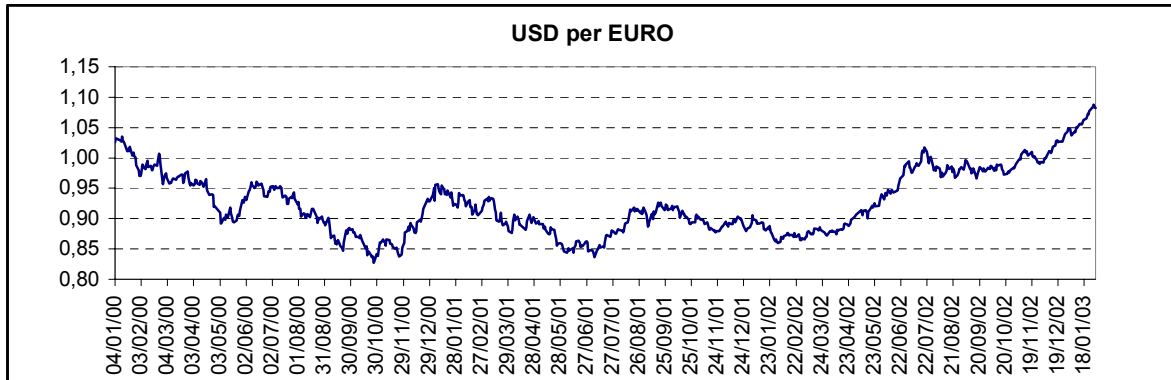
Chart 1**Major international currencies****04/01/2000 - 31/01/2003***(opening, selling values)*

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. As seen in table 4,

markets expect that the euro will remain at about the same levels that it has recently reached vis-à-vis the US dollar and the pound sterling, and will strengthen further against the Japanese yen.

Table 4

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

(February 2003)

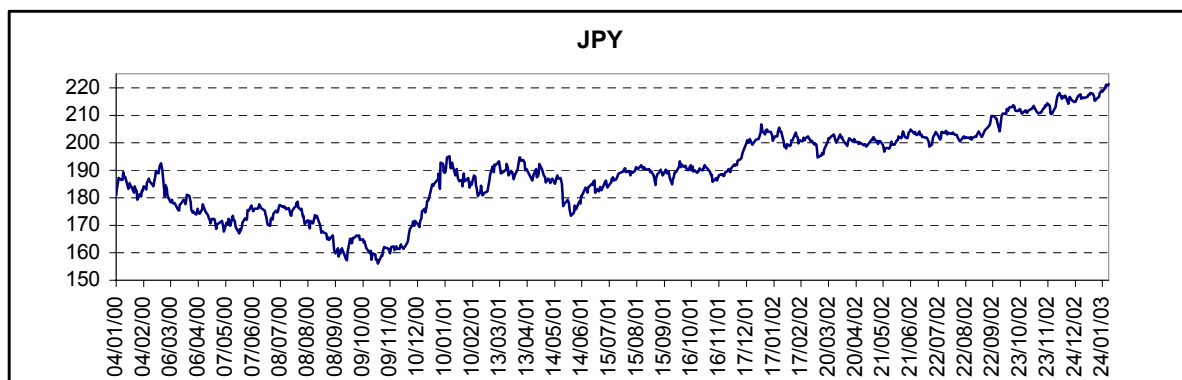
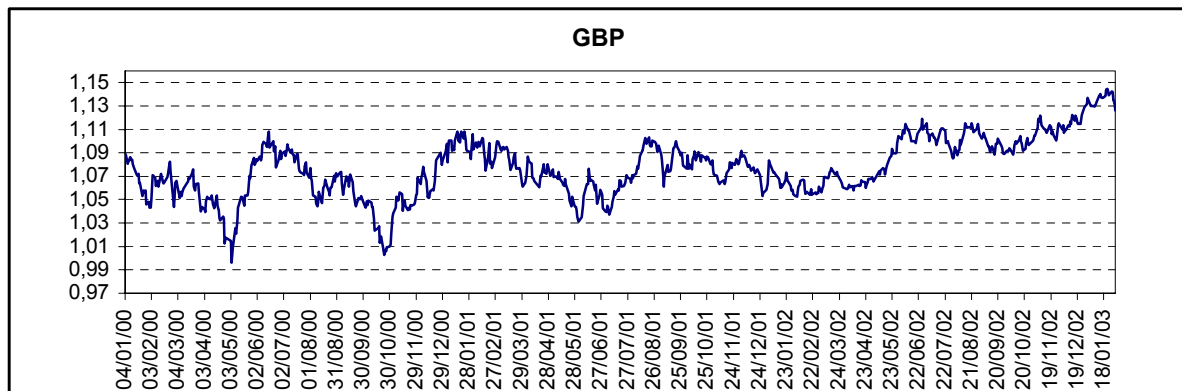
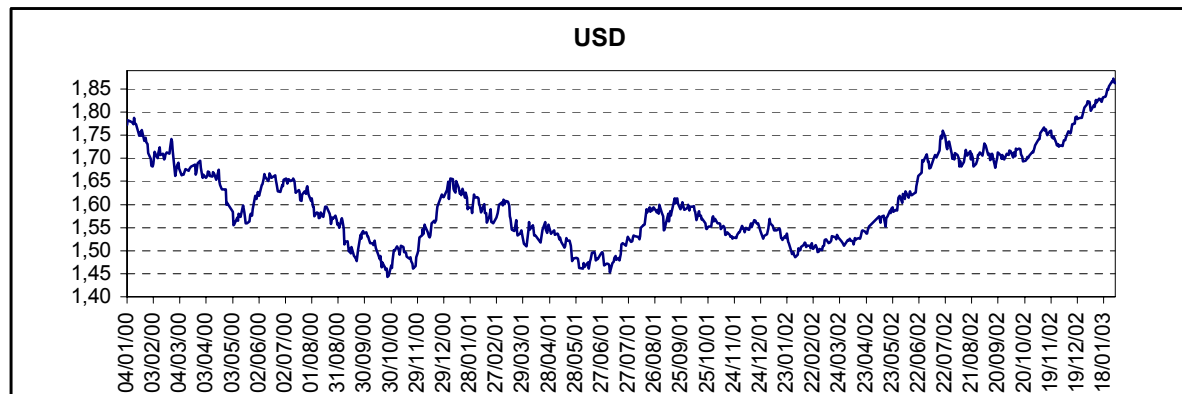
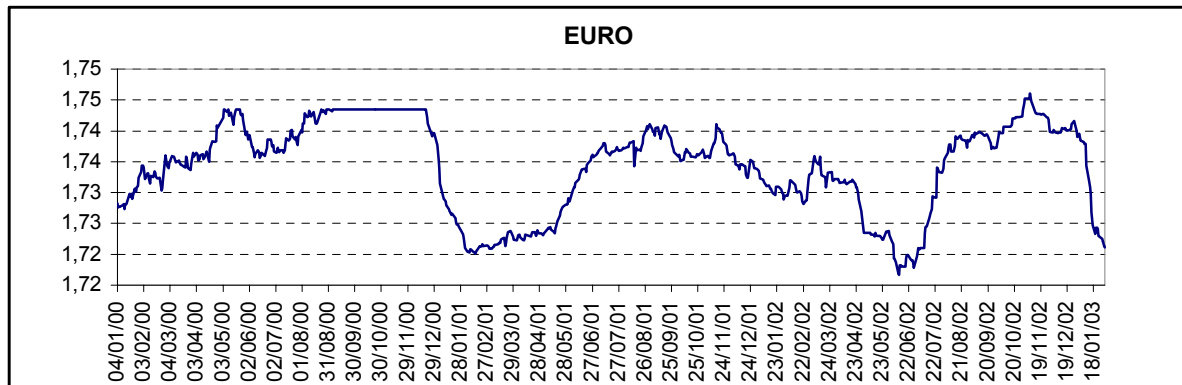
		Exchange rate forecasts			
	Statistical data	1-month	3-month	6-month	12-month
USD per EUR	Mean	1,08	1,07	1,07	1,08
	Minimum	1,04	1,00	0,96	0,92
	Maximum	1,12	1,15	1,15	1,17
	Number of forecasts	50	50	49	47
USD per GBP	Mean	1,64	1,63	1,63	1,63
	Minimum	1,59	1,53	1,49	1,46
	Maximum	1,68	1,70	1,72	1,78
	Number of forecasts	50	50	49	47
JPY per USD	Mean	120,10	121,13	121,55	122,17
	Minimum	117,00	114,00	112,00	108,00
	Maximum	125,00	126,00	131,00	140,00
	Number of forecasts	50	50	50	47
GBP per EUR	Mean	0,66	0,66	0,66	0,66
	Minimum	0,64	0,63	0,61	0,61
	Maximum	0,67	0,70	0,69	0,71

Source: Reuters. The survey was conducted in the period 3-5 February 2003.

Cyprus pound

The Cyprus pound depreciated slightly against the euro in January 2003, reaching EUR 1,7211 on 31 January (opening, selling rate), compared with EUR 1,7395 on 2 January. Reflecting fluctuations in international currencies during this period, the Cyprus pound strengthened substantially against the US dollar and the Japanese yen, while it remained broadly stable against the pound sterling.

Chart 2 gives an overview of recent fluctuations in the exchange rates of the Cyprus pound vis-à-vis the euro, the US dollar, the sterling and the yen.

Chart 2**Cyprus Pound against major international currencies
04/01/2000 - 31/01/2003***(opening, selling values)*

As regards the domestic foreign exchange market, the results of the fixing sessions held until 31 January 2003, on the basis of transaction date, are summarized in table 5. As this table shows, net foreign exchange inflows equivalent to £273,13 million were recorded in 2002, compared with inflows of £663,30 million in 2001. In

January 2003, net outflows amounting to £55,73 million were registered, mainly due to seasonal factors. Daily purchases and sales of foreign exchange between the Central Bank and the domestic banks since 1999 are shown in chart 3.

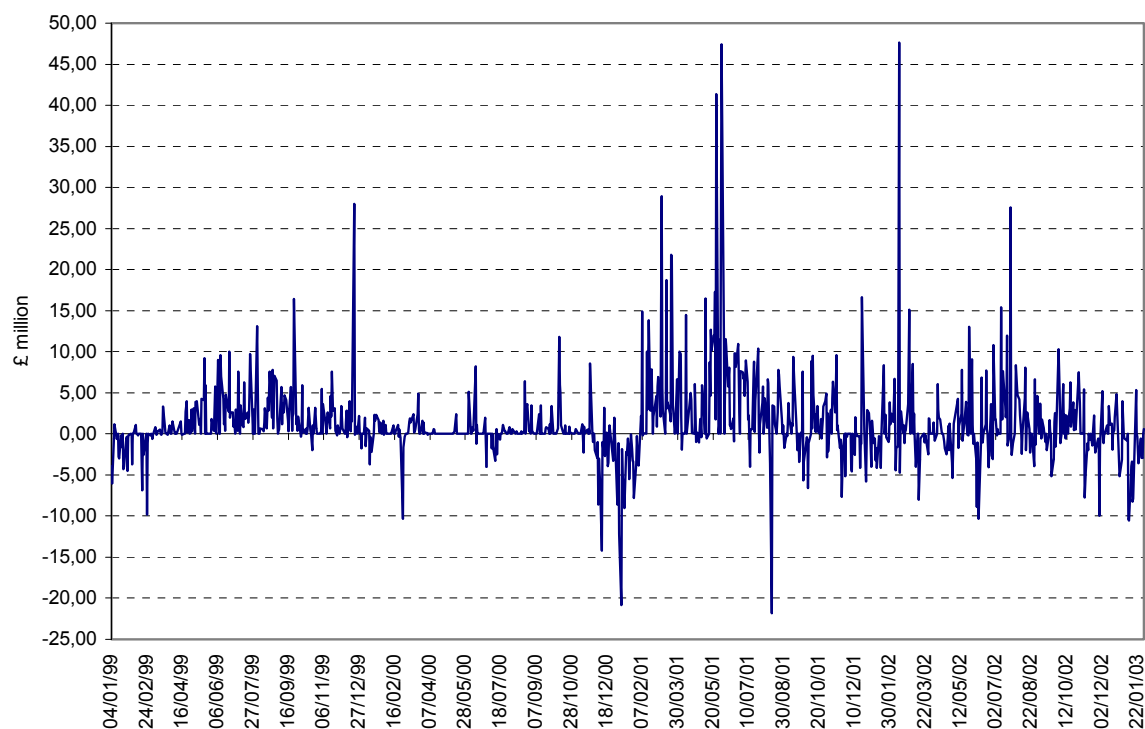
Table 5

**Purchases and sales by the Central Bank of Cyprus
in the domestic foreign exchange market**

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
<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

Chart 3

**Daily purchases / sales of foreign exchange by the Central Bank
from the domestic banks
4/1/1999-31/01/2003**



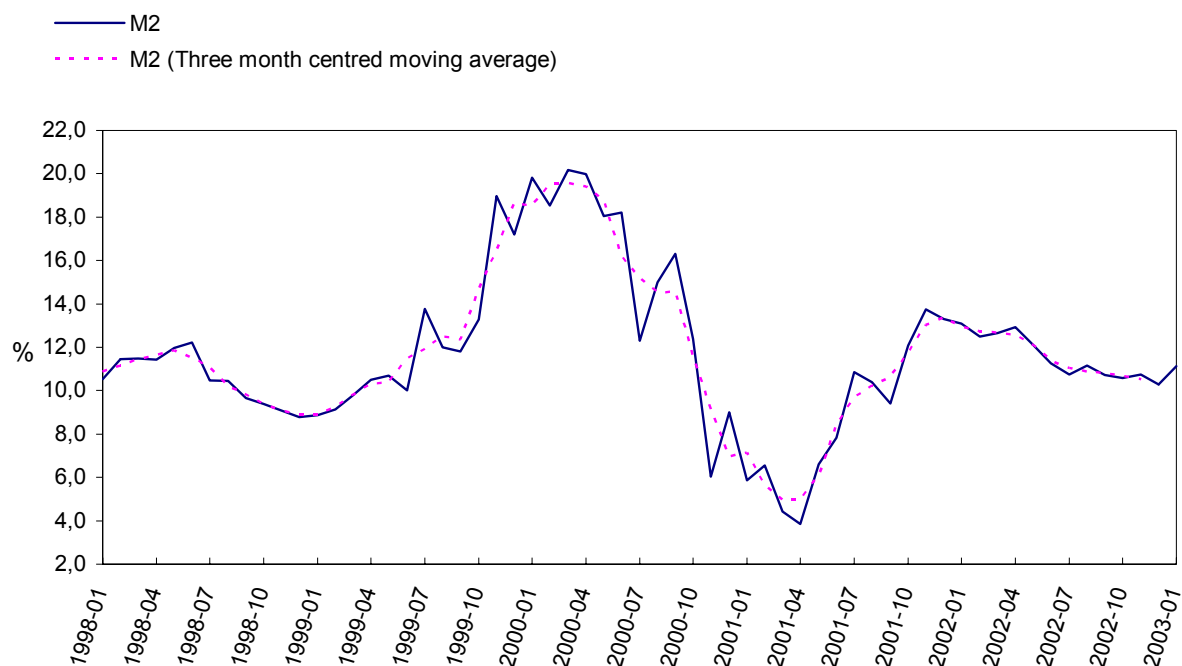
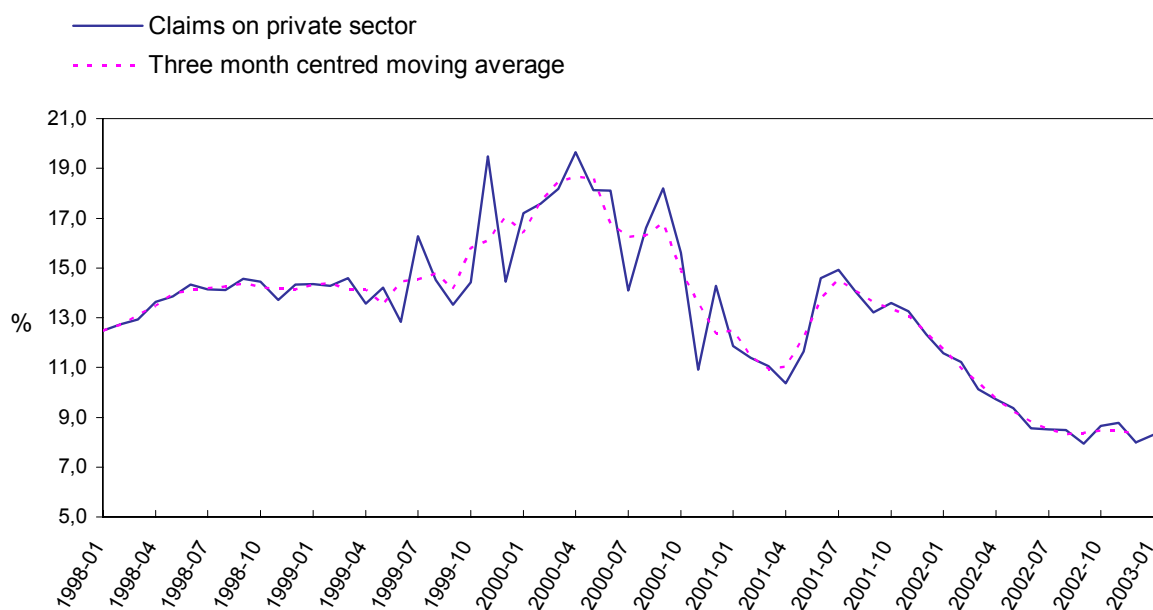
Note: Purchases of foreign exchange by the Central Bank are shown with a positive sign.

2.2 MONETARY DEVELOPMENTS*

A noteworthy development in the monetary sector during January 2003 was the acceleration in total money supply and in credit to the private sector, in comparison with the previous month, albeit both aggregates remained below the levels registered in the same month of the previous year.

In the money market, the foreign exchange outflows recorded in January, combined with increased domestic borrowing by the government, resulted in the containment of excess bank liquidity.

*Due to a revision of monetary figures, there are some differences from data shown in previous editions of the *Monetary Policy Report*.

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) increased to 11,1% in January 2003, from 10,3% in December 2002, but remained below the growth rate of 13,1% recorded in January 2002 (table 6).² This development is confirmed by the three-month moving average of annual growth rates of total money supply, which shows a slowdown to 10,5% in the period from October to December 2002, followed by an acceleration to 10,7% in the period from November to January.

Table 7 presents the factors affecting total money supply. As this table shows, claims on both the private and the public sectors increased in December 2002 and in January 2003 compared with the corresponding months of the previous year, while net foreign assets fell. In 2002 as a whole, the increase in claims on the public sector stood at £253,4 million, compared with an increase of £339,0 million in 2001, while net foreign assets declined by £69,7 million, compared with an increase of £165,0 million in 2001. Credit to the private sector rose by £584,3 million in 2002, compared with an increase of £804,1 million in the previous year.

The growth rate of credit to the private sector fell to 8,0% in December 2002, from 8,8% in the previous month, and stood at 8,3% in January 2003 (table 6). According to the three-month moving average, credit expanded by 8,5% in the period from October to December 2002, about the same growth rate recorded in the period from September to November. The three-month moving average declined slightly to 8,4% in the period from November to January. The low rate of expansion of bank lending is attributable to subdued private sector demand for loans, 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.

As a result of weak credit expansion in 2002, bank financing was below the reference value by £245,6 million, according to the monthly distribution method. In the first month of 2003, credit remained below the reference value by £24,9 million (box 1).

² The growth rate of total money supply including data for co-operative credit institutions (M2C) was 9,9% in December and 10,2% in January. For further analysis of M2C, see the *Monetary Policy Report* of January 2003.

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

	1999	2000	2001	2002	2002 Jan.	2002 Dec.	2003 Jan.
Money supply (M1)	41,5	4,0	2,0	-6,1	3,1	-6,1	-6,1
Total money supply (M2)	17,2	9,0	13,3	10,3	13,1	10,3	11,1
Claims on private sector	14,4	14,3	12,3	8,0	11,6	8,0	8,3

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

	January		Dec.	Jan.
	2002	2003	2001/2002	2002/2003
Foreign assets (net)	2.171	-52.994	-69.699	-124.864
Claims on private sector	16.479	40.715	584.345	608.581
Claims on public sector	-89.367	54.350	253.434	397.151
Unclassified items	-8.049	-67.333	-6.649	-65.933
Total money supply (M2)	-78.766	-25.262	761.431	814.935
Money supply (M1)	-96.098	-90.576	-67.271	-61.749
Currency in circulation	-35.217	-29.947	36.319	41.589
Demand deposits	-60.881	-60.629	-103.590	-103.338
Quasi-money	17.332	65.314	828.702	876.684

The breakdown of bank credit by sector of economic activity (table 8) shows that during 2002, personal and professional loans, construction and trade absorbed the largest part of new credit³, amounting to 44,0%, 21,8% and 17,5%, respectively. In the previous year, personal and professional loans accounted for 33,3% of new credit. In absolute terms, personal and professional loans declined to £277,8 million in 2002, from £295,0 million in 2001. The amount of new credit channelled to the construction sector declined to £137,8 million, from £153,5 million in 2001, while a sizeable decrease was recorded in the sector of external and domestic trade, which accounted for £110,8 million of new credit in 2002, down from £173,4 million in 2001. New credit for the tourist sector also fell sharply, from £147,4 million in 2001 to £57,6 million in 2002, and as a result, the share of tourism in new credit fell to 9,1% in 2002, from 16,6% in 2001.

Data for January 2003 indicate that 54,5% of new credit were channelled to trade, 34,0% to tourism, and 16,4% to construction, while personal and professional loans registered net repayments.

Credit expansion seems to have remained weak in February 2003. According to provisional weekly data, in the period from 1 to 7 February, new credit amounted to £23,8 million, compared with £14,1 in the same period of 2002. In the twelve months to 7 February 2003, the amount of new credit granted was £643,5 million, indicating an annual growth rate of 8,7%, down from a growth rate of 11,6% in the corresponding period of the previous year.

As regards credit extended through credit cards, domestic expenditure by Cypriots through credit cards grew by 12,5% in January 2003 compared with the same month of the previous year, while a sizeable increase of 20,4% was recorded in expenditure by Cypriots abroad through credit cards. Expenditure in Cyprus by foreign card holders increased by 16,5% in January 2003 compared with the same month of the previous year, after a corresponding increase of 14,5% in December 2002.

Data on credit cards and other monetary figures, such as cheque clearing, which are available in a timely manner, 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 October 2002, and the composite indicator,⁴ for which data are available up to December 2002.

As seen in the graph, the composite indicator rose in November and December, as expected due to increased consumption expenditure during the Christmas holidays. On the basis of these data, a similar movement of the retail sales value index is expected in the same months, given that the predictive ability of the composite indicator was proven adequate in previous months.

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

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

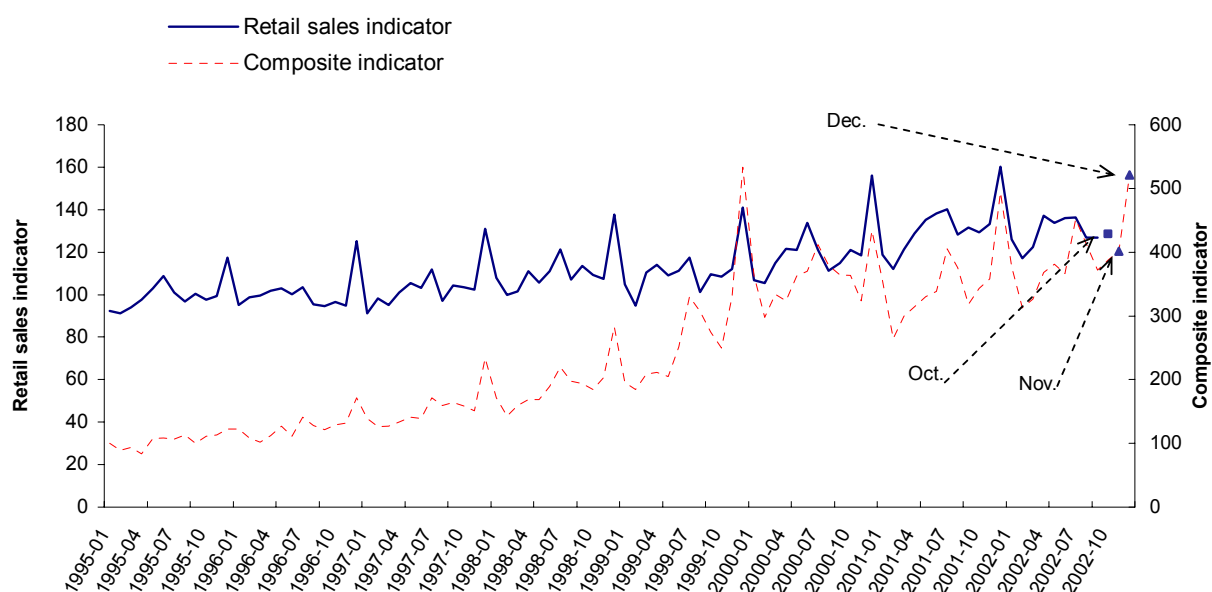
Table 8
Bank credit by sector

	January - December			
	2001		2002	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations ¹	57.127	6,4	17.332	2,7
Agriculture	2.312	0,3	-6.844	-1,1
Mining	4.508	0,5	-796	-0,1
Manufacture	32.766	3,7	22.405	3,5
Transport and communication	24.599	2,8	16.963	2,7
Foreign and domestic trade	173.441	19,6	110.771	17,5
Building and construction	153.454	17,3	137.830	21,8
Tourism	147.418	16,6	57.628	9,1
Personal and professional loans	295.038	33,3	277.826	44,0
Bills discounted: Local	-3.190	-0,4	-851	-0,1
Foreign	-1.318	-0,1	-445	-0,1
Total	886.155	100,0	631.819	100,0

1) Including Government loans

Chart 6

Relationship between monetary aggregates and retail sales



Foreign currency borrowing by residents of Cyprus declined to £11,6 million in December 2002 and £8,0 million in January 2003, compared with £14,0 million in November.⁵ The proportion of credit in foreign currency to total credit remained roughly stable at 9,9% in December 2002 and 10,0% in January 2003, the same proportion recorded in January 2002 (table 9). Data for the period from 1 to 7 February 2003 indicate an increase in foreign currency loans of the order of £3,4 million.

Data on long-term foreign currency loans granted to Cypriots in 2002 confirm the increased proportion of loans denominated in currencies

other than the euro. Specifically, the proportion of foreign currency lending denominated in US dollars, Swiss francs and Japanese yen increased to 20,6%, 8,5% and 7,5%, respectively, while the proportion of new loans denominated in euros to new long-term loans in foreign currencies fell to 59,3%. Last year, by contrast, the euro dominated with a proportion of over 80,0%.

In the first eleven months of 2002, 39,0% of long-term foreign currency loans were used for construction in Cyprus, 29,6% for refinancing⁶ and 18,8% for the acquisition of fixed assets.

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

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

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

	2002 Nov.	2002 Dec.	2003 Jan.
Foreign currency loans to residents	14,0	11,6	8,0
Claims on private sector	30,0	210,5	40,7

(end of period balances, Cyprus pounds million)

	2000	2001	2002	2002 Jan.	2002 Dec.	2003 Jan.
Foreign currency loans to residents	372,0	733,0	785,2	730,4	785,2	793,1
Claims on private sector	6516,0	7320,1	7904,4	7336,6	7904,4	7945,1
Share %	5,7	10,0	9,9	10,0	9,9	10,0

Box 1**Monitoring credit expansion***

In accordance with the Financial Programme, the reference value for credit expansion in 2003 has been set at 11,0% for the whole year. Attainment of the reference value implies that credit as a percentage of GDP will rise to 130% in 2003, from 129% in 2002**.

Credit as a percentage of GDP

	1998	1999	2000	2001	2002	2003
Credit/GDP	106%	113%	118%	125%	129%	130%

The continuous increase in credit as a percentage of GDP raises concerns about the sustainability of such a policy; hence, the reference value of 11,0% for credit expansion should at least be adhered to. It is therefore necessary to assess whether the course of credit expansion in each period is within the reference value. To answer this question, three methods are considered:

(1) Annualised growth rate

The rate of growth in credit observed at a given point of time is annualised; that is, the growth rate for the whole year is derived assuming that credit expansion will continue at the same rate.

For example, in absolute terms, credit expansion from end-December 2002 to end-January 2003 was £40,7 million. This absolute change converted to an annualised growth rate seasonally adjusted gives:

**Annualised growth rate
(seasonally adjusted ***)**

14,2%

Reference value

11,0%

(2) Twelve-month growth rate

The reference value of 11,0% is specified as the rate of increase in credit from December to December. Thus it would be reasonable to assume that each month in comparison with the same month of the previous year should present a growth rate less than or equal to the reference value, so that credit expansion at the end of the year remains within the specified limits. On the basis of this method, the twelve-month rate of growth in credit to the private sector in January 2003 was:

12-month growth rate

8,3%

Reference value

11,0%

Moving average

8,4%

This method presents the problem of base effect, i.e. results may be misleading if the base month for some reason was unusually high or low. To alleviate this problem, the moving average method should also be applied.

* Credit expansion includes all banks.

** If loans granted by the co-operative credit institutions are included, then total credit as a percentage of GDP rises to 145% in 1998, 155% in 1999, 157% in 2000, 161% in 2001 and 166% in 2002.

*** Data were seasonally adjusted by the X11 method, including a period of fifteen years.

(3) Monthly distribution method

The Central Bank has estimated that credit could expand by up to £869 million and reach £8773 million at the end of 2003. This amount (reference value) may be distributed in the months of 2003, in accordance with the seasonal pattern of previous years. Monitoring may be effected through the following table, where the first row gives the distribution of credit in accordance with the reference value and the second row gives actual credit to date.

Table of bank financing 2003 (CYP million)

[illegible]

Money market

Excess bank liquidity conditions continued to prevail in the money market in January 2003. As table 11 indicates, in January 2003 compared with the previous month, excess bank liquidity was mitigated by the decline in overdrawing of government deposits and in net foreign assets, while the fall in currency in circulation enhanced bank liquidity. Specifically, the average daily value of net foreign assets fell to £1.340,4 million in January, from £1.371,4 million in December, and overdrawing of government deposits declined to £315,3 million, from £330,1 million. This decline in government overdrawing is partly attributable to the absorption of liquidity amounting to £106,0 million through auctions of government securities in January, in contrast to repayments of £49,8 million in the previous month.

Table 11 also shows that the Central Bank absorbed liquidity of £438,9 million through deposits in January, compared with £412,0 million in December. In early January, an increase in the amount absorbed in auctions was observed, but subsequently the amount absorbed decreased considerably, reflecting the containment of bank liquidity during January (see table 2 in the annex).

The monthly average interest rate at the deposit collection auctions was 3,70% in January, compared with 3,95% in December. On 13 February 2003, two auctions were conducted, one with a fixed interest rate of 3,75% for a duration of 42 days, and one with variable interest rate. In the fixed interest rate auction, £150,0 million were absorbed, and in the variable rate auction £130,0 million were absorbed at an average interest rate of 3,57%.

Table 10
Interest rates

(percentages per annum)

	2000	2001	2002	2002 Jan.	2002 Nov.	2002 Dec.	2003 Jan.
Interbank (1day)	5,96	4,93	3,42	3,39	3,79	3,52	3,25
Repos	5,97	6,39					
Reverse repos/depos	4,44	4,59	3,91	3,82	3,98	3,95	3,70
Treasury bills (13 weeks)	5,75	6,00	4,02	4,00			
Treasury bills (52 weeks)	6,21	6,35	4,30	4,25			3,89
Development stocks (2 years)	6,55	6,11	4,56	4,54			4,08
Development stocks (5 years)	7,45	6,96	5,07	4,99			4,58
Development stocks (10 years)	7,55	7,66	5,37				4,83
Development stocks (15 years)		6,47	5,60				5,08

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
		1	2	3	4	5	6	7	8	9	10	11	12	13
2001	Jan.	892,6	10,2	0,0	8,6	1,1	3,9	94,5	0,0	346,9	51,8	-15,9	431,3	876,6
	Feb.	876,0	49,5	0,0	0,5	1,2	12,5	93,9	0,0	336,2	-6,8	47,8	443,6	886,1
	Mar.	991,3	16,3	0,0	5,0	1,0	2,9	93,0	0,0	337,5	38,2	97,0	444,9	878,3
	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

The overnight interest rate in the interbank market declined to 3,25% in January 2003, from 3,52% in December 2002, reflecting the reduction in the official interest rate on the marginal lending facility as of 13 December 2002. Similarly, government security yields declined substantially in 2003, compared with the previous year. In particular, yields on one-year treasury bills fell to 3,84% in the auction of 6 February 2003, from 4,28% in the last auction in 2002. The yields on two-year and five-year bonds were 4,07% and 4,55%, respectively, in the auction of 12 February, compared with respective yields of 4,49% and 5,09% in the auctions of 15 October 2002. Following a similar pattern, the interest rates on ten-year and

fifteen-year bonds decreased to 4,83% and 5,08%, respectively, compared with respective yields of 5,36% and 5,60% in October 2002.

Table 12 compares domestic long-term interest rates with European Union rates. According to the latest available data, domestic long-term real interest rates were below the corresponding rates in the European Union by 23 basis points in December 2002, compared with a differential of 31 basis points in October. This decrease in the interest rate differential emanated mostly from the decline in the European Union nominal interest rates. The latest twelve month average of domestic nominal interest rates was 5,37%.

Table 12

Inflation and interest rates in Europe and Cyprus – December 2002

(latest twelve-month average)

	Inflation (HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,60	5,00	3,40
Denmark	2,40	5,10	2,70
Germany	1,30	4,80	3,50
Greece	3,90	5,10	1,20
Spain	3,60	5,00	1,40
France	1,90	4,90	3,00
Ireland	4,70	5,00	0,30
Italy	2,60	5,00	2,40
Luxembourg	2,10	4,70	2,60
Netherlands	3,90	4,90	1,00
Austria	1,70	5,00	3,30
Portugal	3,70	5,00	1,30
Finland	2,00	5,00	3,00
Sweden	2,00	5,30	3,30
United Kingdom	1,30	4,90	3,60
Euro zone	2,20	4,90	2,70
EU -15	2,10	4,90	2,80
Cyprus	2,80	5,37	2,57

International and domestic interest rates

Both the European Central Bank and the US Federal Reserve System maintained official interest rates unchanged at their recent meetings. In contrast, the Bank of England, unexpectedly reduced its key interest rate by 25 basis points on 6 February 2003.

The official interest rate differential between Cyprus and the euro area remained at the level reached after the interest rate reduction by the Central Bank of Cyprus on 13 December 2002, namely at 125 basis points for the marginal lending facility and 75 basis points for the overnight deposit facility.

Table 13

Official interest rates

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

		change
European Central Bank (6 February 2003)		
Minimum bid rate on the main refinancing operations	2,75	-
Interest rate on the marginal lending facility	3,75	-
Interest rate on the deposit facility	1,75	-
Bank of England (6 February 2003)		
Repo Rate	3,75	-0,25
Federal Reserve System (29 January 2003)		
Federal Funds Rate	1,25	-
Discount Rate	0,75	-
Central Bank of Cyprus (24 January 2003)		
Minimum bid rate on the main refinancing operations	3,75	-
Interest rate on the marginal lending facility	5,00	-
Interest rate on the deposit facility	2,50	-

Cyprus Stock Exchange

The Cyprus Stock Exchange General Price Index continued its downtrend in January 2003, closing at 91,4 points – the lowest level in the last four months – compared with 94,5 in December 2002 (chart 7). During January, the index fluctuated in the range of 91,4 to 98,8 points. The average daily traded volume fell to £0,7 million in January, from £2,0 million in December, and the average

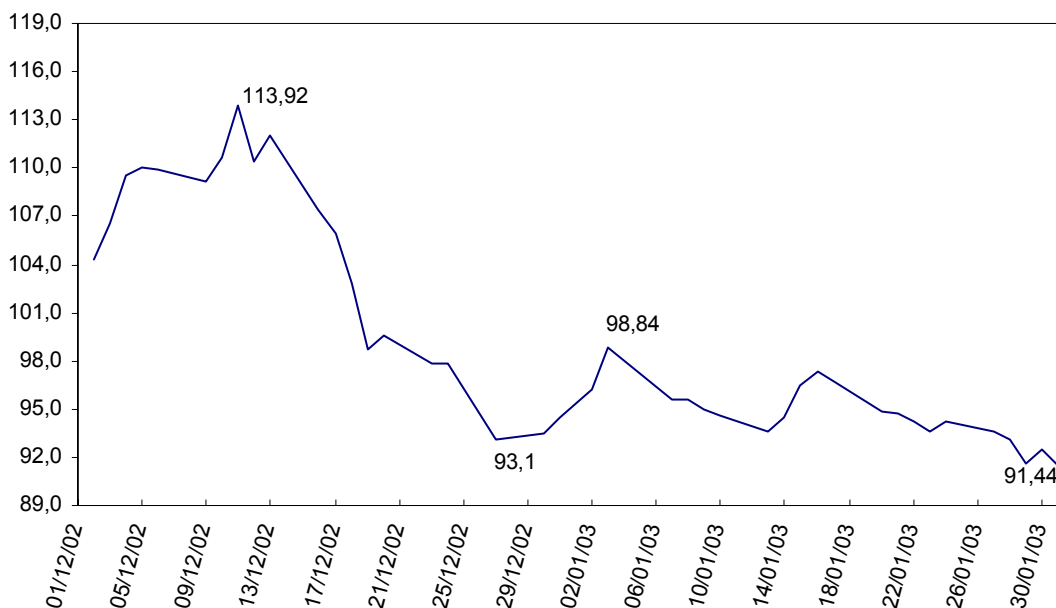
daily number of transactions declined to 1.026 from 1.953. All sectoral indices registered a fall in January. The securities with the largest proportion of the monthly traded volume were the shares of Bank of Cyprus and Laiki Bank, which accounted for 15,0% and 10,5% of the traded volume, respectively.

Chart 7

Cyprus Stock Exchange (CSE) General Index

December 2002 - January 2003

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



According to the data shown in table 14, minor net capital inflows were registered on the Cyprus Stock Exchange during January 2003. Tables

11 and 12 in the annex present purchases and sales of shares by non-residents analysed by country of residence.

Table 14

Investments by non-residents on the Cyprus Stock Exchange¹

(CYP thousand)

	2001	2002		2003
	Dec.	Nov.	Dec.	Jan.
Purchases	367	174	50	9
Sales	577	5	0	0
Net investments	-210	169	50	9

Source: Cyprus Stock Exchange

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

2.3 INFLATION

Prices rose by 4,1% in January 2003, compared with an increase of 2,94% in the previous month and 2,70% in the same month of the previous year. As table 15 shows, the rise in inflation was driven by the acceleration in the prices of domestic industrial goods, electricity and services. By contrast, prices of domestic agricultural products and motor vehicles fell considerably, moderating the increase in the inflation rate. It is pointed out that price increases in January reflected the increase in the VAT standard rate, from 10,0% to 13,0% effective 1 July 2002 and then to 15,0% effective 1 January 2003.

As regards domestic goods, the continued decline in agricultural product prices by 8,72% in January 2003 is noteworthy. Electricity prices accelerated, as a result of the rise in oil prices and the increase in excise duties on fuels. In parallel, prices of industrial goods rose by 11,89%, compared with an increase of 9,70% in December 2002, mostly on account of the aforementioned increase in the VAT rate. More specifically, prices of industrial non-oil goods increased by 9,16%, compared with an increase of 7,13% in December, and fuel prices rose by 24,28%, compared with a rise of 21,87% in December.

Prices of imported goods declined further by 2,82% in January 2003, after a decrease of 3,61% in December 2002. In particular, the prices of motor vehicles fell by 10,78%, owing to the sizeable reduction in excise duties on cars since 1 July 2002, while prices of other imported goods continued to rise due to the VAT increase.

Services prices increased by 4,99% in January 2003, compared with an increase of 3,71% in December 2002 and 2,97% in January 2002. This increase reflected the VAT increase. Nearly all categories of services registered an acceleration, with the exception of communication, where a sizeable fall was registered, following the decision of the Commission for the Protection of Competition concerning telecommunications.

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

		2001	2002	January 2002/2001	December 2002/2001	January 2003/2002
	All items	1,98	2,81	2,70	2,94	4,10
A	Domestic goods	1,34	4,35	4,14	5,66	6,87
A.1	Agricultural	4,50	1,79	21,82	-7,35	-8,72
A.2	Industrial	0,78	5,62	0,60	9,70	11,89
A.2.1	Industrial, non-oil	0,10	4,55	0,73	7,13	9,16
A.2.2	Fuel and gas	3,99	10,57	0,00	21,87	24,28
A.3	Electricity	-3,23	-2,26	-14,60	11,09	12,80
B	Imported goods	0,47	-1,69	-0,37	-3,61	-2,82
B.1	Motor vehicles	0,55	-5,07	0,41	-10,48	-10,78
B.2	Other imported goods	0,41	0,85	-0,96	1,45	3,33
C	Services	3,35	3,67	2,97	3,71	4,99

Turning 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 a range between 4,0% and 4,5%. This preliminary projection is based on the framework of price analysis by economic origin, as presented above. It is assumed that oil prices will remain around USD 25 per barrel, on average, and that agricultural product prices will increase by 2,5%, as in 2001. It is also assumed that the Cyprus pound will not fluctuate significantly from the high levels reached at the end of 2002 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.

It should be borne in mind that if inflationary developments, fed by increases in input prices and wages (due to the automatic indexation of wages as well as negotiated wage increases), lead to further chain increases, the projection of an inflation rate between 4,0% and 4,5% may be considered as optimistic.

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	4,1	Jan.	4,2 ²
Euro area	2,1	Jan.	1,7
U.S.A.	2,4	Dec.	2,1
G.Britain	2,9	Dec.	2,6
Germany	1,1	Jan.	1,0
Italy	2,7	Jan.	2,2
Denmark	2,6	Jan.	2,1
France	2,3	Dec.	1,5
Austria	1,8	Dec.	1,6
Belgium	1,2	Jan.	1,3
Spain	3,7	Jan.	2,9
Sweden	2,3	Dec.	2,1
Switzerland	0,8	Jan.	0,7
Japan	-0,3	Dec.	-0,7
Canada	3,9	Dec.	2,6

*(1) Source: The Economist**(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 present graphs of a number of relevant indicators. Perhaps the most distinct development in 2002 was the decline in tourist arrivals, notwithstanding the small increase that has been recorded since October. In parallel, important indicators of supply and demand point to a slowdown in economic activity in 2002 compared with 2001. Furthermore, unemployment continued its upward trend in the first month of 2003 compared with the same month of 2002.

Production

As regards the services sector, tourist arrivals increased somewhat in the last three months of 2002, compared with the sharp decline recorded in the corresponding months of 2001 as a result of the events of 11 September. In 2002 as a whole, tourist arrivals fell by 10,3%, compared with a marginal increase of 0,4% in 2001. In parallel, receipts from tourism fell by 12,4% in the first ten months of 2002. In January 2003, tourist arrivals increased by 10,1%, compared with a decline of 15,8% in the same month of 2002.

In the secondary sector, the picture is mixed. On the one hand, construction continued to show positive signs, although it seems to have been affected by the overall slowdown in the economy, while 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 25,2% in November 2002, compared with an increase of 18,2% in the same month of 2001, but it declined by 3,6% in December 2002. The value index of building permits increased by 25,9% and 4,6% in November and December, respectively, compared with increases of 22,9% and 46,3% in the respective months of 2001. For 2002 as a whole, the volume and value indices of building permits registered increases of 10,8% and 13,0%, respectively, compared with 23,4% and 26,2%, respectively, in 2001.

Cement sales in the domestic market grew by 30,6% in December 2002, compared with a decrease of 14,2% in the same month of 2001. In 2002, cement sales registered an overall growth of 12,2%, compared with a growth rate of 11,6% in the previous year.

Table 17
Latest economic indicators

	2000	2001	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)	4,1	2,0	Jan. 2003	4,1	Jan. 2002	2,7	Jan. 2003	4,1	Jan. 2002	2,7
Unemployment rate (% of E.A.P)	3,4	3,0	Jan. 2003	4,2	Jan. 2002	4,1	Jan. 2003	4,2	Jan. 2002	4,1
Fiscal deficit(-)/surplus(+) (% of GDP)	-150,5	-164,3	Jan.-Oct. 2002	-200,6	Jan.-Oct. 2001	-112,4	Jan.-Oct. 2002	-200,6	Jan.-Oct. 2001	-112,4
Tourist arrivals (% change)	10,3	0,4	Jan. 2003	10,1	Jan. 2002	-15,8	Jan. 2003	10,1	Jan. 2002	-15,8
Tourist revenue (% change)	16,5	7,0	Nov. 2002	5,4	Nov. 2001	-9,8	Jan.-Nov. 2002	-11,7	Jan.-Nov. 2001	μ/δ
Cypriots traveling abroad (% change)	4,2	16,8	Dec. 2002	49,2	Dec. 2001	-13,8	Jan.-Dec. 2002	8,7	Jan.-Dec. 2001	16,9
Volume index of retail sales (% change)	5,7	5,9	Oct. 2002	-0,8	Oct. 2001	4,3	Jan.-Oct. 2002	-0,4	Jan.-Oct. 2001	6,4
Private car registration (% change)	-6,5	19,4	Jan. 2003	8,5	Jan. 2002	39,4	Jan. 2003	8,5	Jan. 2002	39,4
Volume index of manufacturing production (% change)	4,0	-2,6	Nov. 2002	-8,3	Nov. 2001	2,2	Jan.-Nov. 2002	-3,0	Jan.-Nov. 2001	-2,4
Volume index of building permits authorised (% change)	2,6	23,4	Dec. 2002	-3,6	Dec. 2001	48,8	Jan.-Dec. 2002	10,8	Jan.-Dec. 2001	23,4
Value index of building permits authorised (% change)	7,2	26,2	Dec. 2002	4,6	Dec. 2001	46,3	Jan.-Dec. 2002	13,0	Jan.-Dec. 2001	26,2
Local sales of cement (% change)	1,1	11,6	Dec. 2002	30,6	Dec. 2001	-14,2	Jan.-Dec. 2002	12,2	Jan.-Dec. 2001	11,6
Total imports (c.i.f.) (% change)	23,2	2,4	Oct. 2002	-18,7	Oct. 2001	-3,2	Jan.-Oct. 2002	-4,9	Jan.-Oct. 2001	6,2
Imports for home consumption (c.i.f.) ¹ (% change)	16,5	8,7	Oct. 2002	3,0	Oct. 2001	-0,8	Jan.-Oct. 2002	3,4	Jan.-Oct. 2001	11,3
Total exports (f.o.b.) (% change)	9,0	6,1	Oct. 2002	-28,9	Oct. 2001	25,5	Jan.-Oct. 2002	-18,9	Jan.-Oct. 2001	6,3
Domestic exports(f.o.b.) (% change)	8,4	4,5	Oct. 2002	-4,2	Oct. 2001	0,8	Jan.-Oct. 2002	-3,9	Jan.-Oct. 2001	4,5
Trade deficit (£ million)	-1877,0	-1900,7	Oct. 2002	-144,0	Oct. 2001	-169,6	Jan.-Oct. 2002	-1602,4	Jan.-Oct. 2001	-1605,3

(1) Non-oil civil imports

Evidence for manufacturing continued to be negative. The volume index of manufacturing production registered an annual contraction of 8,3% in November 2002, compared with an increase of 2,2% in the same month of 2001. For the period from January to November 2002, the

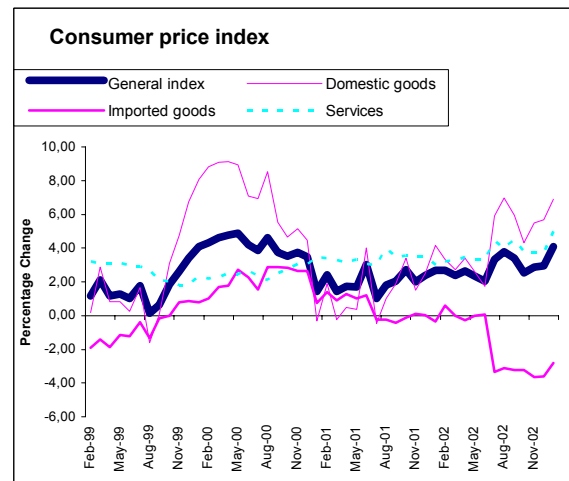
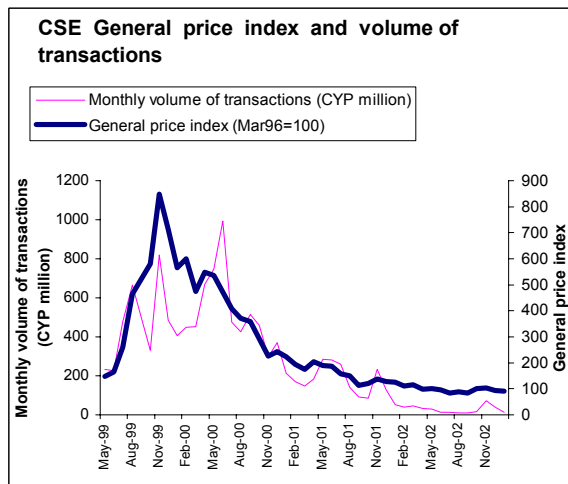
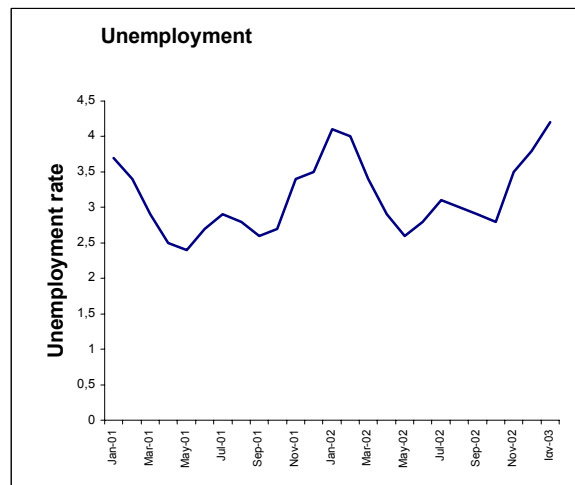
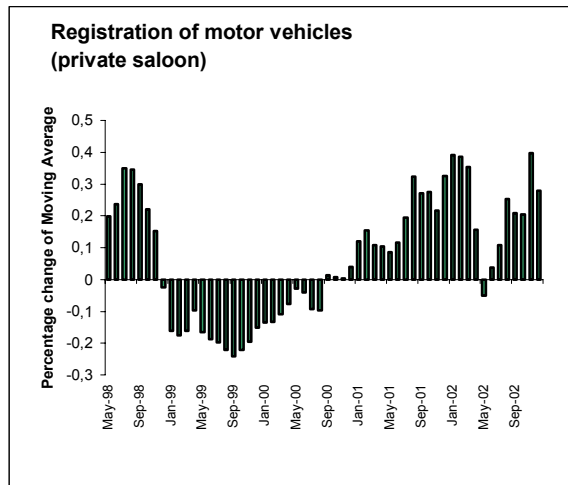
index registered a decline of 3,0%, compared with a decrease of 2,4% in the same period of 2001. The time of recovery from the observed downturn in manufacturing is difficult to predict. The performance of manufacturing by product category is shown in table 18.

Table 18

Manufacturing production volume index

(percentage change by category)

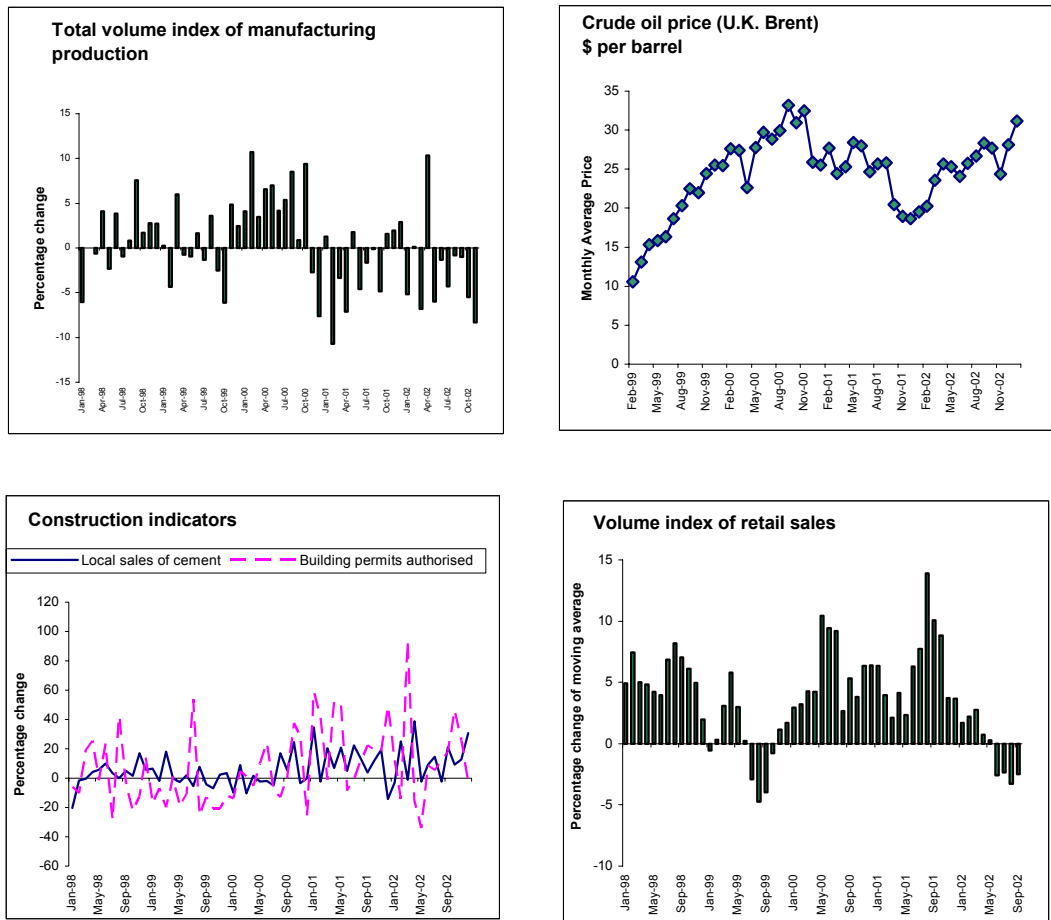
	Nov. 01/00	Nov. 02/01	Jan.-Nov. 01/00	Jan.-Nov. 02/01
General index	2,2	-8,3	-2,4	-3,0
Food products, beverages & tobacco	-6,3	-20,1	-7,5	-8,9
Textiles & textile products	-5,7	-24,0	-3,0	-17,7
Leather and leather products	-3,7	-17,0	-7,6	-7,3
Wood & wood products	9,1	-3,2	-2,9	0,5
Paper, paper products, publishing & printing	8,7	-3,6	6,4	-2,0
Refined petroleum products	4,7	-38,9	-2,5	-5,5
Chemicals, chemical products and man-made fibres	2,6	-2,3	9,8	4,6
Rubber and plastic products	-7,2	5,6	-5,8	3,6
Other non-metallic mineral products	7,9	20,5	3,0	10,0
Basic metals & fabricated metal products	13,6	12,7	1,4	7,5
Machinery and equipment n.e.c.	-14,7	-9,1	-0,7	-2,7
Electrical & optical equipment	-6,4	-15,6	-2,7	-1,0
Transport equipment	75,5	14,2	-8,2	20,2
Manufacturing n.e.c.	-1,0	-6,9	-6,1	-3,2

Chart 8

Consumption

Private consumption declined slightly in the first ten months of 2002. Specifically, the retail sales volume index decreased by 0,4% in the period from January to October 2002, compared with an increase of 6,4% in the

same period of the previous year. In October 2002, the index declined by 0,8%, compared with an increase of 4,3% in the same month of 2001.

Chart 9

Private saloon car registrations, which provide another important indicator of consumer behaviour, showed sizeable increases in recent months. After the implementation of the tax reform on 1 July 2002, which included a significant reduction in excise duties on cars, sales rose sharply, recording growth rates of 35,8%, 23,2% and 71,7% in October, November and December, respectively. For

2002 as a whole, car registrations increased by 24,5%, compared with an increase of 19,2% in 2001. In the first month of 2003, car registrations increased by 8,5%, compared with an increase of 39,4% in the corresponding month of 2002.

Developments concerning imports for home consumption (excluding imports of military equipment and fuels) seem consistent with the subdued domestic demand observed in 2002. These imports slowed to a growth rate of 3,4% in the period from January to October 2002, from a growth rate of 11,3% in the same period of 2001.

The number of Cypriots travelling abroad also registered a deceleration. Specifically, the number of Cypriots travelling abroad increased by 8,7% in 2002, compared with an increase of 16,9% in 2001, even though in the last quarter, a substantial increase of 52% was recorded.

Table 19

Retail sales volume index

(percentage change by category)

	Oct. 01/00	Oct. 02/01	Jan.-Oct. 01/00	Jan.-Oct. 02/01
General index	4,3	-0,8	6,4	-0,4
Food, drinks and tobacco	-8,2	-5,6	2,1	-7,9
Clothing and textiles	-7,6	-4,1	-4,1	3,8
Footwear & leather products	-11,2	-1,4	0,6	-0,5
Electrical goods & appliances	27,0	-20,5	-4,5	3,5
Vehicles, machinery & spare parts	14,9	10,3	23,5	5,9
Supermarkets	6,1	-14,5	1,0	-7,2
Pharmacies	12,8	7,7	6,9	5,2
Furniture	8,7	4,3	6,3	3,5
Petrol stations	4,4	8,9	1,7	5,0
Toys	1,1	48,1	-0,1	5,2

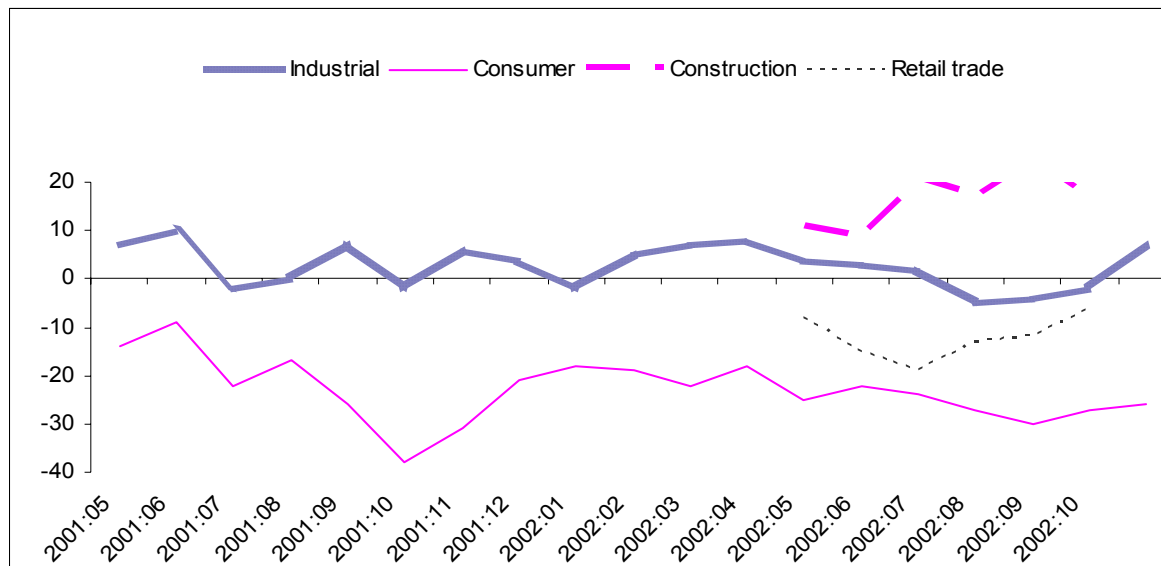
Confidence indicators

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

In particular, notwithstanding fluctuations during 2002, the construction confidence indicator registered an overall upward course, which 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 indicator remained positive in the first month of 2003. The overall downward trend in the industrial confidence indicator, which continued in January 2003, is consistent with the negative performance of the sector depicted by the volume index of manufacturing production.

Furthermore, the negative course of the consumer confidence indicator is consistent with the considerable slowdown recorded in private consumption, while the retail trade confidence indicator exhibits a slightly upward trend.

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

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

According to the latest available data for the labour market, the number of registered unemployed increased by 3,1% in January 2003, while the unemployment rate, as a percentage of the economically active population, rose to 4,2%, compared with 4,1% in the same month of the previous year. In 2002, the number of registered unemployed increased by 10,6%, compared with a decrease of 12,7% in 2001, and the unemployment rate rose from 3,0% to 3,2%. Rising unemployment has been observed since November 2001 and is consistent with the recorded slowdown in overall economic activity in 2002 compared with 2001.

Public finances

According to the latest available data from the Ministry of Finance, the fiscal deficit increased to £200,6 million in the period from January to October 2002, compared with £112,4 million in the same period of 2001. Public revenue decelerated significantly, with a growth rate of 1,8%, compared with 10,0% in the first ten months of 2001. Public expenditure also decelerated, registering an increase of 6,9%, compared with a growth rate of 12,8% in the same period of 2001.

Taking a more detailed look at public expenditure, current expenditure decelerated, while capital expenditure fell. Among the categories of current expenditure, social pension payments decelerated, while a decrease was registered in interest payments and in subsidies, due to the abolition of subsidies on fuels. By contrast, wages and salaries, as well as current transfers accelerated. As regards capital

expenditure, both investment and capital transfers declined.

Turning to public revenue, a considerable deceleration in tax receipts was recorded. Partly reflecting the slowdown in economic activity in 2002, direct taxes declined and indirect tax receipts decelerated. As regards direct taxes, a decline in income tax receipts was recorded. As regards indirect taxes, VAT receipts and excise taxes decelerated considerably, while import duties accelerated somewhat. Finally, other revenues and foreign grants declined. Developments in public finances are presented in table 20.

Overall assessment and outlook of the economy

The Cypriot economy slowed in 2002, with real GDP estimated to have grown by about 2,0%, down from a growth rate of 4,1% in 2001. This slowdown is underpinned by developments in tourism and by the negative course of manufacturing. The observed deceleration in private consumption and in imports for home consumption also indicates a slowdown in the economy.

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

A rebound of the economy, especially the tourist sector, is expected in 2003. This expectation is contingent on the projected recovery of the European Union economy and on developments on the Iraqi front.

Concerning public finances, in accordance with its position recorded in the debate on the budget, the government estimates a fiscal deficit of the order of 2,7% of GDP in 2002 and 2,1% in 2003. These estimates are based on the projection of real GDP growth of 2,3% in 2002 and 4,3% in 2003. If these projections turn out to be too optimistic, and if additional expenditure in 2003 due to the payment of delayed wage increases and to the upgrading of scales of public employees is not properly counterbalanced, the government's projection for the fiscal deficit in 2003 may show a negative divergence from reality.

Table 20
Public finances summary

	Jan-Oct.2001	Jan-Oct.2002	Jan-Oct.01/00	Jan-Oct.02/01
	pounds million		% change	
Total revenue and grants	1594,3	1623,7	10,0	1,8
Direct taxes	499,9	483,8	16,3	-3,2
Income tax	370,1	346,0	27,9	-6,5
Indirect taxes	600,1	638,2	10,3	6,3
Value added tax	283,5	314,0	18,1	10,8
Excise taxes	149,9	156,0	10,0	4,1
Import duty	56,1	60,7	8,0	8,3
Social security funds contributions	219,1	244,0	9,0	11,4
Other revenues	273,9	256,6	0,4	-6,3
Foreign grants	1,3	1,2	-35,6	-9,6
Total expenditure and net lending	1706,6	1824,3	12,8	6,9
Current expenditure	1560,4	1678,4	13,5	7,6
Goods and services	663,6	725,8	14,5	9,4
Wages and salaries	424,6	456,3	5,4	7,5
Current transfers	305,3	352,0	-0,7	15,3
Social pension	19,8	20,8	6,3	4,8
Social security funds payments	233,8	260,5	8,3	11,4
Subsidies	67,9	52,7	-0,4	-22,4
Interest	270,0	266,6	10,1	-1,3
Capital expenditure	138,2	135,2	4,8	-2,2
Investment	102,5	52,7	2,9	-48,6
Capital transfers	35,7	32,3	10,7	-9,7
Net lending	8,0	10,7	37,8	32,7
Fiscal surplus (+)/deficit(-)	-112,4	-200,6	78,5	78,5

2.5 EXTERNAL TRANSACTIONS

Goods

Table 21 gives an overview of the trade balance for the first ten months of 2002, including provisional data for October.

Total imports decreased by 4,9% in the first ten months of 2002, compared with an increase of 6,2% in the same period of the previous year. This decline emanated to a large extent from the fall in imports destined for re-exports by 39,7%. Imports for home consumption excluding imports of fuels and military equipment recorded a marked slowdown in the first ten months of 2002, with a growth rate of 3,4%, down from 11,3% in the same period of 2001.

VAT receipts from imports of goods,⁸ which may be considered as an indicator of imports, registered a sizeable increase of 45,8% in January 2003, reflecting the rise in the VAT standard rate from 10,0% in January 2002 to 15,0% in January 2003. Nevertheless, it appears that the decline in imports has been reversed, partly on account of a base effect associated with the sharp decline in international trade after the events of 11 September.

Turning to total exports, the provisional data indicate a continuing decline in October 2002, primarily on account of the fall in re-exports.

The decline in total exports was of the order of 18,9% in the first ten months of 2002, compared with an increase of 6,3% in the corresponding period of 2001, as re-exports fell by 27,1%. In parallel, domestic exports registered a considerable contraction in October 2002, leading to an overall decrease of the order of 3,9% in the period from January to October 2002, compared with an increase of 4,5% in the same period of 2001.

On the basis of the aforementioned data, the crude trade deficit reached £1.602,4 million in the first ten months of 2002, compared with a deficit of £1.605,3 million in the corresponding period of 2001.

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, which cover the period up to September 2002.

Concerning imports for home consumption, table 22 shows that in the period from January to September 2002, imports of consumer goods slowed, registering a growth rate of 3,7%, compared with 12,5% in the same period of 2001. Imports of intermediate inputs also slowed to a growth rate of 0,2%, down from 8,9% in the first nine months of 2001. Imports of capital goods fell by 8,2%, compared with a rise of 14,0% a year earlier. This fall is seen partly as a correction following a sizeable increase in the previous two years and also reflects the overall slowdown in the economy during 2002. By contrast, a sharp

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

increase of 25,7% was recorded in imports of transport equipment and parts thereof, reflecting the purchase of two aircraft by Cyprus Airways. The first aircraft had a value of £22,4 million and was purchased in May, and the second aircraft was purchased in July for £20,1 million. If these purchases are excluded, the growth rate of

imports of transport equipment and parts thereof is reduced to 1,5%.

As regards domestic exports (table 23), exports of certain industrial products, especially halloumi cheese and pharmaceuticals, remained strong in the first nine months of 2002.

Table 21
Trade balance data¹

(CYP million)

	2001	2001/2000 % Change	2000 Jan. - Oct.	2001 Jan. - Oct.	2002 Jan. - Oct.	2001/2000 % Change Jan. - Oct.	2002/2001 % Change Jan. - Oct.
Total imports (cif)	2.528,7	2,4	2.018,8	2.143,6	2.039,0	6,2	-4,9
Imports for home consumption (cif)	2.176,8	6,9	1.667,8	1.840,0	1.855,9	10,3	0,9
Non oil civil imports for home consumption (cif)	1.813,0	8,7	1.364,8	1.518,9	1.570,7	11,3	3,4
Imports destined for re-exports	351,9	-18,8	351,0	303,6	183,1	-13,5	-39,7
Total exports	628,0	6,1	506,3	538,3	436,5	6,3	-18,9
Domestic exports (fob)	233,9	4,5	189,2	197,7	190,0	4,5	-3,9
Re-exports (fob)	337,0	12,5	257,5	288,7	210,4	12,1	-27,1
Shipstores	57,1	-16,4	59,5	51,9	36,1	-12,8	-30,5
Trade balance	-1.900,7	3,7	-1.512,5	-1.605,3	-1.602,4	6,1	-0,2

¹ Figures for October 2002 are provisional

Table 22**Imports (cif) by economic destination***(CYP million)*

	2000 year	2001 year	2000 Jan. - Sept.	2001 Jan. - Sept.	2002 Jan. - Sept.	2000/1999 year % change	2001/2000 year % change	2001/2000 Jan. - Sept. % change	2002/2001 Jan. - Sept. % change
Consumer goods	569,6	617,7	408,0	458,9	475,7	18,3	8,4	12,5	3,7
Non-durable	308,7	338,1	226,4	252,2	265,6	16,8	9,5	11,4	5,3
Semi-durable	157,4	170,4	108,1	125,0	127,9	18,5	8,3	15,6	2,3
Durable	103,5	109,2	73,5	81,6	82,2	22,4	5,5	11,1	0,7
Intermediate inputs	675,1	710,3	487,6	531,1	531,9	16,5	5,2	8,9	0,2
Agricultural	42,0	42,2	26,2	26,9	28,8	19,2	0,3	2,4	7,4
Construction and mining	110,4	120,7	79,4	91,2	101,6	19,4	9,4	14,9	11,4
Manufacturing	398,8	421,8	292,4	317,6	314,3	12,0	5,8	8,6	-1,0
Transport, storage and communication	44,9	29,4	33,0	23,5	17,6	52,1	-34,6	-28,8	-25,0
Other sectors of the economy	79,0	96,2	56,6	72,0	69,5	18,9	21,7	27,2	-3,5
Capital goods	237,1	258,3	171,7	195,7	179,8	25,1	8,9	14,0	-8,2
Agricultural	8,8	8,8	6,8	6,8	6,6	1,4	0,7	0,3	-3,9
Construction and mining	15,7	20,6	11,1	15,4	15,3	-37,7	31,3	39,7	-1,1
Manufacturing	67,0	69,6	47,2	53,5	44,5	34,7	4,0	13,4	-16,9
Transport, storage and communication	43,8	52,3	31,9	39,8	33,5	49,9	19,3	24,7	-15,9
Other sectors of the economy	101,9	107,0	74,8	80,2	80,0	32,8	5,0	7,2	-0,2
Transport equipment and parts thereof	186,4	226,6	138,6	175,0	220,1	3,1	21,6	26,3	25,7
of which:									
passenger cars	74,9	94,6	90,2	118,0	120,3	10,3	26,3	30,9	2,0
spare parts	53,3	61,3	45,0	53,7	53,9	-3,0	15,1	19,5	0,4
aircraft and parts	0,8	0,6	0,4	0,5	42,7				
Fuels and lubricants	269,3	266,1	178,2	204,0	175,6				
Unclassified	31,1	97,9	81,4	75,8	99,8				
Imports for home consumption	1968,7	2176,8	1465,2	1640,6	1682,9	22,4	6,9	12,0	2,6
Imports destined for re-exports	433,3	351,9	315,9	272,9	169,1	26,9	-18,8	-13,6	-38,0
Total imports	2401,9	2528,7	1781,1	1913,5	1852,0	23,2	2,4	7,4	-3,2
<u>Memo item:</u>									
Non oil civil imports for home consumption	1668,0	1813,0	1364,8	1518,9	1570,7	16,5	8,7	11,3	3,4

Source: Statistical Service of Cyprus

Table 23**Exports (fob) by economic origin**

(CYP million)

	2000 year	2001 year	2000 Jan. - Sept.	2001 Jan. - Sept.	2002 Jan. - Sept.	2000/1999 year % change	2001/2000 year % change	2001/2000 Jan. - Sept. % change	2002/2001 Jan. - Sept. % change
Agricultural products (raw)	34,4	43,8	30,8	39,4	32,5	-5,7	27,4	28,0	-17,6
of which:									
potatoes	12,3	17,5	12,3	17,5	10,7				
other vegetables	3,2	4,2	2,3	3,1	2,8				
fresh, frozen or dried									
citrus fruit	12,8	14,7	11,2	12,4	16,0				
Minerals and industrial products of mineral origin	12,4	11,6	8,4	9,2	7,5	7,8	-6,3	9,3	-18,4
Industrial products of agricultural origin	28,2	28,0	21,5	20,7	25,9	11,4	-0,7	-3,6	25,0
of which:									
halloumi cheese	7,6	7,7	5,7	5,6	8,4				
fruit preserved	1,5	0,9	1,3	0,6	0,8				
fruit and vegetable juices	3,5	4,1	2,7	3,1	4,0				
beer	1,0	1,0	1,0	0,9	0,8				
wines	6,2	5,3	4,8	3,6	4,3				
meat	3,2	2,9	2,2	2,3	3,5				
Industrial products of manufacturing origin	148,8	150,5	111,1	110,6	107,1	11,9	1,1	-0,5	-3,2
of which:									
cigarettes	16,2	10,8	12,8	8,1	3,6				
cement	10,8	8,4	8,6	5,9	6,8				
pharmaceutical products	30,9	39,4	22,1	27,7	32,3	22,6	27,7	25,1	16,8
articles of paper or of paperboard	4,8	6,0	3,7	4,3	4,3	-1,3	-12,3	-8,9	-20,3
clothing	22,5	19,7	17,1	15,6	12,4				
footwear	6,1	3,8	4,8	2,9	2,1				
furniture	7,9	6,8	5,9	5,2	4,8				
Unclassified	0,0	0,1	0,0	0,0	0,0				
Domestic exports	224,0	233,9	171,6	179,9	173,0	8,4	4,5	4,8	-3,8
re-exports	299,6	337,0	235,4	251,9	188,4	0,6	12,5	7,0	-25,2
shipstores	68,3	57,1	51,0	46,0	32,1	76,4	-16,4	-10,0	-30,2
Total exports	591,9	628,0	457,9	477,8	393,5	9,0	6,1	4,3	-17,6

Source: Statistical Service of Cyprus

Tourism

As table 24 shows, the recovery of tourist arrivals, which has been observed since October 2002, continued in December 2002 and in January 2003. Specifically, tourist arrivals increased by 3,9% in December 2002 compared with the same month of 2001. For 2002 as a whole, the decline in tourist arrivals stood at 10,3%. A significant recovery of 10,1% was exhibited in January 2003 compared with the same month of 2002. These results suggest a reversal of the downturn in tourist arrivals that followed the events of 11 September 2001.

Receipts from tourism rose by 5,4% in November 2002 (table 25), partly owing to the increase in tourist arrivals by 3,6% in the same month. In the period from January to November 2002, receipts from tourism fell by 11,7%, while tourist arrivals declined by 10,7.

The larger decrease in receipts from tourism, compared with the decrease in arrivals during the first eleven months of 2002 stemmed from the decline in daily tourist expenditure, both at the hotels and outside the hotels.

Balance of payments prospects

On the basis of the data on external transactions discussed in this *Report*, as well as the overall performance of the economy in 2002, the current account deficit as a percentage of GDP is estimated to be higher in 2002 than in 2001. Besides the downturn in tourism, the current account balance in 2002 was significantly affected by the purchase of aircraft by Cyprus Airways – having a worth of £42,5 million or about 0,7% of GDP – and by increased defence expenditure. The elimination or moderation of these factors in 2003, combined with the projected recovery of the world economy, the stabilisation of the political environment and the revitalisation of tourism, is expected to lead to a narrowing of the current account deficit in the current year. This projection is contingent on the timing and duration of a possible war in Iraq.

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		-4,2	-13,9	
March	126.494	135.487	137.578	138.625		1,5	0,8	
April	180.076	221.785	237.228	180.481		7,0	-23,9	
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. - Jan.		63.553	64.214	54.067	59.529	1,0	-15,8	10,1
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	% Change 2002/2001
January		24,9	21,6	-13,5
February		29,1	28,9	-0,9
March		49,7	59,2	18,9
April		89,9	77,0	-14,3
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		
Jan. - Dec.		1.271,6		
Jan. - Nov.		1.242,4	1.096,9	-11,7

*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)*

levels in percentages per annum)						
With effect from ⁽¹⁾		Deposit facility	Main refinancing operations			Marginal lending facility
			Variable rate tenders			
			repo	reverse repo	acceptance of deposits	
2001	10 Aug.	3,50		5,00		6,50
	18 Sep.	3,00		4,50		6,00
	02 Nov.	2,50			4,00	5,50
2002	13 Dec.	2,50			3,75	5,00

(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 rate	Minimum allotted rate	Maximum allotted rate	Fixed allotted rate	
2002	23 May	319,5	319,5	4,00	3,98	3,94	4,00		14
	06 June	166,0	166,0					4,00	42
	06 June	201,5	100,0	4,00	3,64	3,5	3,97		14
	10 June	125,0	100,0					3,90	38
	20 June	161,0	160,0	4,00	3,86	3,74	3,98		14
	04 July	177,0	150,0	4,00	3,85	3,82	4,00		14
	18 July	328,0	270,0					4,00	42
	18 July	158,5	120,0	4,00	3,79	3,69	3,87		14
	01 Aug.	231,0	175,0	4,00	3,73	3,69	3,75		13
	14 Aug.	137,0	137,0	4,00	3,75	3,70	3,98		15
	29 Aug.	430,0	350,0					4,00	42
	29 Aug.	102,0	100,0	4,00	3,88	3,65	4,00		14
	12 Sep.	12,0	12,0	4,00	3,93	3,88	3,95		14
	10 Oct.	295,0	200,0					4,00	42
	10 Oct.	105,0	105,0	4,00	3,92	3,85	3,97		14
	24 Oct.	161,5	161,5	4,00	3,91	3,83	4,00		14
	07 Nov.	187,0	185,0	4,00	3,95	3,90	4,00		14
	21 Nov.	425,0	250,0					4,00	42
	21 Nov.	156,0	150,0	4,00	3,97	3,90	4,00		14
	05 Dec.	170,0	170,0	4,00	3,97	3,90	4,00		14
	19 Dec.	157,0	157,0	3,75	3,73	3,69	3,75		14
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

(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	2-6 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					

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	Jan.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
	Feb.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
	Mar.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
	Apr.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
	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

*(1) Reported as end of month.**(2) For the period January 2001 - November 2001, 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.*

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
2000 Nov.	0,99	4,04	4,03	4,77	2,47	4,25	7,16	6,63	10,20	6,56
Dec.	1,01	3,96	3,96	4,58	2,49	4,21	7,18	6,45	10,19	6,43
2001 Jan. *	1,01	3,88	3,88	4,39	2,52	4,01	7,19	6,40	10,32	6,29
Feb.	1,01	3,84	3,83	4,35	2,50	3,99	7,11	6,44	10,26	6,24
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	9,78	5,53
Feb.	0,73	2,78	2,79	3,95	2,15	2,91	6,16	5,75	9,81	5,61
Mar.	0,73	2,84	2,84	4,07	2,15	3,00	6,09	5,85	9,76	5,74
Apr.	0,74	2,89	2,90	4,13	2,14	3,07	6,17	5,95	9,81	5,81
May	0,74	2,91	2,92	4,15	2,15	3,08	6,20	5,98	9,85	5,82
June	0,74	2,93	2,94	4,09	2,13	3,08	6,18	5,92	9,82	5,77
July	0,74	2,89	2,90	4,02	2,13	3,02	6,16	5,79	9,76	5,68
Aug.	0,73	2,84	2,85	3,81	2,12	2,94	6,14	5,70	9,77	5,53
Sep.	0,73	2,77	2,77	3,64	2,13	2,73	6,11	5,61	9,82	5,37
Oct.	0,72	2,74	2,74	3,58	2,11	2,63	6,12	5,54	9,70	5,26
Nov.	0,71	2,70	2,69	3,53	2,11	2,55	6,09	5,50	9,67	5,20

* From January 2001 data refer to the enlarged euro area

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	3	8	5	10		4	2	6	4
Bank of England ²	9 4,00	6 3,75	6	10	8	5	10	7	4	9	6	4
Federal Reserve System ³	28/29 1,25		18		6	24/25		12	16	28		9
Central Bank of Cyprus ⁴	24 5,00		7	16	30		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 (%)
2000-2002

	Yearly		Quarterly			Jan. 2002/ 2001	Dec. 2002/ 2001	Jan. 2003/ 2002	Weights
	2001	2002	2002 II	2002 III	2002 IV				1998=100
GENERAL INDEX	1,98	2,81	2,35	3,50	2,77	2,70	2,94	4,10	100,00
A LOCAL GOODS	1,34	4,35	2,57	6,26	5,15	4,14	5,66	6,87	36,69
A.1 Agricultural	4,50	1,79	2,98	-1,98	-8,41	21,82	-7,35	-8,72	7,93
A.2 Industrial	0,78	5,62	2,91	9,02	9,54	0,60	9,70	11,89	27,24
A.2.1 industrial non-petroleum	0,10	4,55	3,09	6,49	6,93	0,73	7,13	9,16	22,91
A.2.2 fuel and gas	3,99	10,57	2,08	20,42	21,87	0,00	21,87	24,28	4,33
A.3 Electricity	-3,23	-2,26	-3,71	2,58	6,47	-14,60	11,09	12,80	1,52
B IMPORTED GOODS	0,47	-1,69	-0,08	-3,23	-3,50	-0,37	-3,61	-2,82	22,20
B.1 Motor Vehicles	0,55	-5,07	-0,43	-10,10	-10,17	0,41	-10,48	-10,78	9,43
B.2 Other Imported	0,41	0,85	0,18	1,96	1,41	-0,96	1,45	3,33	12,77
C SERVICES	3,35	3,67	3,37	4,40	3,73	2,97	3,71	4,99	41,11

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 (%)
2000-2002

	Yearly		Quarterly			Jan. 2002/ 2001	Dec. 2002/ 2001	Jan. 2003/ 2002	Weights 1998=100
	2001	2002	2002 II	2002 III	2002 IV				
GENERAL INDEX	1,98	2,81	2,35	3,50	2,77	2,70	2,94	4,10	100,00
A LOCAL GOODS	0,51	1,64	0,97	2,34	1,97	1,54	2,17	2,59	36,69
A.1 Agricultural	0,36	0,15	0,24	-0,16	-0,76	1,70	-0,68	-0,81	7,93
A.2 Industrial	0,21	1,53	0,81	2,45	2,60	0,16	2,64	3,16	27,24
<i>A.2.1 industrial non-petroleum</i>	<i>0,02</i>	<i>1,02</i>	<i>0,70</i>	<i>1,44</i>	<i>1,56</i>	<i>0,16</i>	<i>1,60</i>	<i>1,99</i>	<i>22,91</i>
<i>A.2.2 fuel and gas</i>	<i>0,19</i>	<i>0,51</i>	<i>0,10</i>	<i>1,00</i>	<i>1,04</i>	<i>0,00</i>	<i>1,03</i>	<i>1,17</i>	<i>4,33</i>
A.3 Electricity	-0,07	-0,05	-0,07	0,05	0,13	-0,32	0,21	0,25	1,52
B IMPORTED GOODS	0,10	-0,35	-0,02	-0,68	-0,73	-0,08	-0,75	-0,58	22,20
B.1 Motor Vehicles	0,05	-0,46	-0,04	-0,91	-0,89	0,04	-0,92	-0,97	9,43
B.2 Other Imported	0,05	0,10	0,02	0,23	0,17	-0,12	0,17	0,39	12,77
C SERVICES	1,37	1,52	1,39	1,84	1,53	1,24	1,52	2,08	41,11

Table 9

Percentage change in the Consumer Price Index by category of goods and services (%)
2000-2002

	Yearly		Quarterly			Jan. 2002/ 2001	Dec. 2002/ 2001	Jan. 2003/ 2002	Weights
	2001	2002	2002 II	2002 III	2002 IV				1998=100
GENERAL INDEX	1,98	2,81	2,35	3,50	2,77	2,70	2,94	4,10	100,00
Food & non-alcoholic beverages	4,09	4,58	5,09	3,87	0,48	11,14	0,79	0,29	18,20
Alcoholic beverages & tobacco	2,79	13,32	7,66	21,65	22,93	1,12	24,73	35,06	1,78
Clothing and footwear	-6,75	-3,46	-4,00	-4,64	-2,21	-5,39	-1,48	0,21	8,22
Housing, water, electricity and gas	1,59	4,08	3,46	5,41	5,64	1,55	5,87	5,69	21,27
Furnishings, household equipment and supplies	0,15	0,81	-0,99	3,42	2,04	-2,03	1,58	5,25	7,08
Health	5,41	4,70	5,03	5,17	4,28	4,00	4,28	7,77	4,92
Transport	2,29	0,39	0,65	0,19	0,45	0,76	0,32	1,41	17,42
Communication	1,73	-8,81	-7,77	-6,70	-13,92	-7,48	-13,42	-11,33	1,79
Recreation & culture	-0,50	2,20	1,46	3,42	2,73	1,12	2,83	4,88	5,88
Education	4,60	5,71	5,79	6,29	4,46	6,63	4,49	4,49	2,33
Restaurants & hotels	6,00	3,97	3,14	4,65	4,75	3,45	5,06	6,73	6,07
Miscellaneous goods and services	3,97	5,49	3,83	7,69	7,35	2,55	7,30	8,17	5,04

Table 10

Weighted contribution to the total change in the Consumer Price Index by category of goods and services (%)
2000-2002

	Yearly		Quarterly			Jan. 2002/ 2001	Dec. 2002/ 2001	Jan. 2003/ 2002	Weights
	2001	2002	2002 II	2002 III	2002 IV				1998=100
GENERAL INDEX	1,98	2,81	2,35	3,50	2,77	2,70	2,94	4,10	100,00
Food & non-alcoholic beverages	0,75	0,86	0,94	0,72	0,09	2,03	0,15	0,06	18,20
Alcoholic beverages & tobacco	0,06	0,27	0,16	0,44	0,46	0,02	0,49	0,71	1,78
Clothing and footwear	-0,54	-0,25	-0,31	-0,32	-0,17	-0,37	-0,11	0,01	8,22
Housing, water, electricity and gas	0,34	0,88	0,75	1,18	1,20	0,34	1,25	1,24	21,27
Furnishings, household equipment and supplies	0,01	0,05	-0,07	0,23	0,14	-0,14	0,11	0,34	7,08
Health	0,27	0,25	0,26	0,27	0,22	0,21	0,22	0,41	4,92
Transport	0,40	0,07	0,11	0,03	0,08	0,13	0,06	0,24	17,42
Communication	0,03	-0,13	-0,11	-0,10	-0,19	-0,11	-0,18	-0,15	1,79
Recreation & culture	-0,03	0,12	0,08	0,19	0,15	0,06	0,15	0,26	5,88
Education	0,11	0,14	0,14	0,16	0,11	0,16	0,11	0,11	2,33
Restaurants & hotels	0,38	0,26	0,20	0,31	0,31	0,22	0,33	0,44	6,07
Miscellaneous goods and services	0,20	0,28	0,20	0,40	0,37	0,13	0,37	0,42	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.

