



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

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

**MAY 2003**



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**M**ONETARY  
**P**OLICY  
**R**EPORT

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

**CENTRAL BANK OF CYPRUS, 2003  
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## 1. INTRODUCTION

The end of the war in Iraq renewed hopes for a recovery of the global economy. At the same time, fears intensified that the economic weakness of recent years will continue, as it is associated not only with geopolitical uncertainty, but with cyclical causes as well. Most economic analysts seem to share the view that economic activity will remain subdued in the first half of the year and will accelerate somewhat in the second half. Thus, the international economy is expected to register weak growth for the year as a whole. Reservations for the global economic activity, together with the decline in oil prices and hence in inflationary pressures, may prompt major central banks to further reduce official interest rates within the next few months.

In the domestic economy, inflation rose to 5,97% in March, from 4,44% in the previous month. The analysis of inflation by product category indicates that this rise stemmed mainly from the sharp increase in the prices of domestic agricultural products and from the acceleration in the prices of electricity, fuel and gas. For the first quarter of 2003, the inflation rate reached 4,84%, compared with 2,58% in the same quarter of the previous year. This development reflected to a large extent the increase in the value added tax (VAT) standard rate, from 10,0% to 13,0% effective 1 July 2002 and then to 15,0% effective 1 January 2003.

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

In the monetary sector, the growth rate of bank credit to the private sector remained well below the rate recorded in the corresponding period of the previous year. Specifically, the annual growth rate of credit to the private sector stood at 8,2% in March 2003, compared with 7,9% in February 2003 and 10,1% in March 2002. In this environment of subdued credit expansion, the increase in the proportion of credit in foreign currency to total credit, from 10,0% in January to 10,6% in March, is noteworthy. At the same time, surplus bank liquidity declined due to seasonal outflows of foreign exchange. 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 until February 2003. This recovery, however, reflected base effects associated with the sharp decline in tourism that followed the events of 11 September 2001. In the first two months of 2003, tourist arrivals increased by 9,1%, compared with a fall of 14,7% in the same period of 2002. In parallel, receipts from tourism rose by 13,1% in the first two months of 2003. In March, however, the rising trend was overturned with the outbreak of war in Iraq, and tourist arrivals fell by 33,9%.

As regards external trade, provisional data show that total imports declined by 1,7% in 2002, compared with an increase of 2,4% in 2001. However, non-oil imports for home consumption excluding imports of military equipment increased somewhat, albeit at a decelerating rate. Total

exports fell by 18,8% in 2002, primarily on account of the fall in re-exports. As a result of these developments, the crude trade deficit reached £1.974,9 million in 2002, compared with £1.900,7 million in 2001.

As regards private consumption, the retail sales volume index declined by 3,0% in the first two months of 2003, compared with an increase of 3,5% in the same period of 2002. The decline in the retail sales volume index was registered simultaneously with an increase in tourist arrivals and receipts, but is consistent with the decrease in the growth rate of retail sales of cars, which was observed in the same period.

Turning to the labour market, the number of registered unemployed increased marginally in March 2003, continuing the upward trend that has been observed since November 2001. The unemployment rate reached 3,8% of the economically active population in March 2003, compared with 3,4% 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 declined in 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 registered sizeable increases in 2002.

As regards public finances, timely data are not yet available. According to provisional data for 2002 from the Ministry of Finance, the fiscal deficit increased to £215,7 million or 3,5% of GDP, from £166,5 million or 2,8% of GDP in 2001. Public revenue grew by 5,3%, compared with a growth rate of 11,1% in 2001, and public expenditure also registered a substantial deceleration. The final figure for the fiscal deficit in 2002 might exceed the revised provisional estimate of 3,5%.

## 2. ECONOMIC DEVELOPMENTS

### 2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

#### *International economic developments*

The uncertainty prevailing since the beginning of the year remains high, even after the capture of Iraq by US and British troops. Express disagreements between countries about the manner and extent of their involvement in the reconstruction of Iraq after the war, as well as weak economic fundamentals maintain reservations for the likelihood of a rebound in the global economy. Moreover, the SARS epidemic, which has been first observed in east Asia and has spread in other countries, has an adverse effect on major Asian capital markets, with possible repercussions for the entire Asian economy. Mixed data for the world economy have been recorded recently, with a slight recovery in the US equity markets. Analysts expect further reductions in the official interest rates of major central banks in the beginning of the summer.

In the **United States**, the end of the war against Iraq caused a rise in the University of Michigan consumer confidence indicator from 77,6 points in March to 83,2 in April. Industrial production increased marginally by 0,4% in March compared with the same month of 2002, after an increase of 0,1% in February 2003. The trade deficit exceeded USD 500 billion, for the first time, in the twelve months to February. In March, the Dow Jones, S&P500 and Nasdaq indices registered small increases of 1,3%, 0,8% and 0,3%, respectively.

In the **euro area**, industrial production registered an increase of 0,7% and retail sales grew by 2,7% in January 2003 compared with the same month of 2002. Inflation remained at 2,4% in March, exceeding the European Central Bank's limit, as a result of increased oil prices due to the war in Iraq. In Germany, the Ifo industrial confidence index declined from 88,1 points in March to 86,6 in April. Equity prices declined in Germany, France and Italy, with the DAX, CAC 40 and BCI indices registering decreases of 3,8%, 4,3% and 5,5%, respectively. These decreases are attributable primarily to the prevailing uncertainty and disagreements within the European Union concerning the war in Iraq.

In **Britain**, RPIX inflation stood at 3,0% in March, above the Bank of England's 2,5% target. Nevertheless, analysts point out that a further reduction in the key interest rate by 25 basis points is likely in May, because of the possible downward revision of both the GDP growth rate and the inflation rate in Great Britain. Industrial production increased marginally by 0,1% in February compared with the same month of the previous year, after a contraction of 0,7% in January. The FTSE 100 stock price index registered a marginal increase of 0,6% in March.

In **Japan**, the latest economic indicators continue to give some optimistic signs for a recovery. Economic analysts therefore revised upwards their forecasts for growth in 2004. Industrial production expanded by 4,2% in February compared with the same month of the previous year, and the unemployment rate declined from 5,5% in January to 5,2% in February. The problem of deflation still exists, and according to the International Monetary Fund, the prospects for recovery in Asia's largest economy depend on dealing with this problem properly and on the necessary restructuring of the country's banking system. In the equity market, the Nikkei 225 index fell by 4,5% in March.

In the crude oil market, prices decreased when the war began. In particular, the price of Brent crude oil fell from USD 30,31 per barrel on 18 March to USD 27,64 per barrel on 20 March. The average price in March was USD 30,68 per barrel, and by mid-April it declined to USD 25,46 per barrel, as the end of the war was imminent. In contrast, the decrease in oil production in Nigeria, due to civil clashes, exerted upward pressure on oil prices during March.



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

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

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

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

<sup>2</sup> The Economist, 19 April 2003.<sup>3</sup> Lehman Brothers Global Weekly Economic Monitor, 17 April 2003.<sup>4</sup> International Monetary Fund, World Economic Outlook, April 2003.**Table 2****Major share indices***(closing prices)*

	2002	2003			
	31 Dec.	28 Feb.	1 Apr.	% change	
				Jan. - Mar.	Feb. - Mar.
USA					
Dow Jones	8.332,9	7.891,1	7.992,1	-4,1	1,3
S&P 500	879,4	841,2	848,2	-3,5	0,8
Nasdaq	1.339,5	1.337,5	1.341,2	0,1	0,3
Germany					
DAX	2.892,6	2.547,1	2.450,2	-15,3	-3,8
France					
CAC 40	3.063,9	2.754,1	2.635,0	-14,0	-4,3
Italy					
BCI	1.091,9	1.068,0	1.009,5	-7,5	-5,5
Britain					
FTSE 100	3.940,4	3.593,3 *	3.613,3	-8,3	0,6
Japan					
Nikkei 225	8.714,1	8.363,0	7.986,7	-8,3	-4,5

Source: Reuters

\* Closing price as at 26 February 2003

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

	GDP				Industrial production February (annual)	Retail sales February (annual)	Unemployment February (annual)	Inflation <sup>1</sup> February (annual)
	2002 Q3 (quarterly)*	2002 Q3 (annual)	2002 Q4 (quarterly)*	2002 Q4 (annual)				
Britain	3,4	1,8	1,7	2,2	0,1	3,2	5,1 <sup>3</sup>	3,0 <sup>4</sup>
Japan	3,2	1,3	2,2	2,8	4,2	-0,2	5,2	-0,2
USA	4,0	3,2	1,4	2,9	0,4 <sup>4</sup>	2,1	5,8 <sup>4</sup>	3,0
Euro area	1,2	0,9	0,7	1,3	0,7 <sup>2</sup>	2,7 <sup>2</sup>	8,7	2,4 <sup>4</sup>

Source: *The Economist*, 19 April 2003<sup>1</sup> Based on the Consumer Price Index with the exception of Britain which is based on the Retail Price Index (RPIX)<sup>2</sup> Data of January 2003<sup>3</sup> December 2002 - February 2003<sup>4</sup> Data of March 2003

\* annual percentage change

**International currencies**

The euro gradually strengthened against the US dollar until mid-March, reaching USD 1,10, and then declined to USD 1,08 by 15 April, after fluctuations associated with changing assessments of the duration of the war in Iraq. The war, which started on 20 March, seems to have been already discounted by the markets in the first half of the month.

The continuing weakening of the US dollar against the euro, which has been recorded since the beginning of the year, is partly attributable to concerns about the post-war period in the United States as well as in Iraq. These concerns were further strengthened by the International Monetary Fund's warning that the global economy remains at risk even after the end of the war. In addition, the course of the US dollar reflects economic fundamentals in the United States, which are still consistent with a weaker currency. In parallel, discouraging signs have been observed in the euro area economy. The prospects of a rebound in the European economy appear anemic. Both the European Commission and the International Monetary Fund revised

downwards their projections for the GDP growth rate in the euro area in 2003, to 1,0% and 1,1%, respectively. Other developments indicating the economic climate in the euro area include the widening of the fiscal deficit in France, the rise in unemployment in Germany, and the continued decline in the Reuters business activity index for the services sector in the euro area during February.

Between 1 March and 15 April 2003, the pound sterling fluctuated somewhat vis-à-vis the euro and the US dollar, remaining weak against these currencies in comparison with the beginning of the year. The course of the pound sterling was influenced by releases of mixed economic data for the United Kingdom and by the geopolitical developments, which led to internal political confrontation about Great Britain's role in the war in Iraq.

In the same period, the Japanese yen fluctuated mostly between JPY 127 and 129 per EUR, maintaining its weak course, which reflects continuing investor concern about the instability of the country's financial system. These concerns were strengthened by the rising trend

among Japanese investors to shift their funds in investments abroad.

An overview of recent fluctuations in international exchange rates, until 15 April 2003, is presented in chart 1.

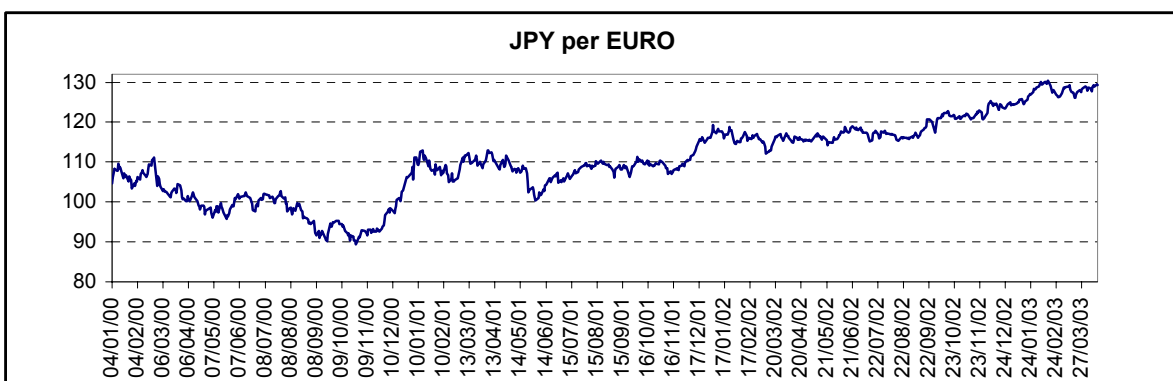
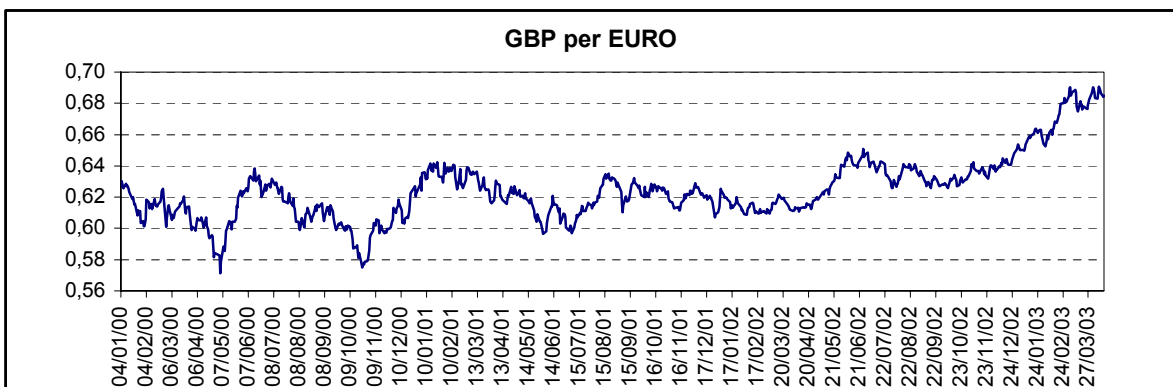
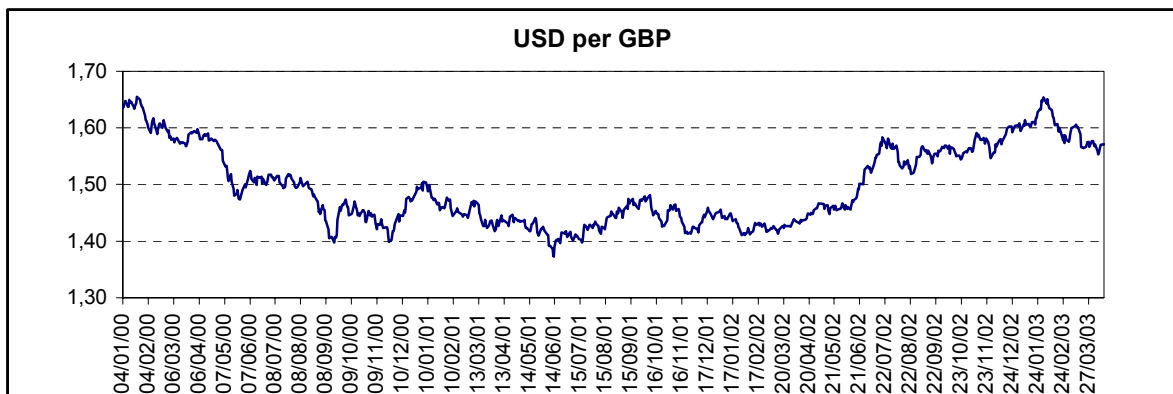
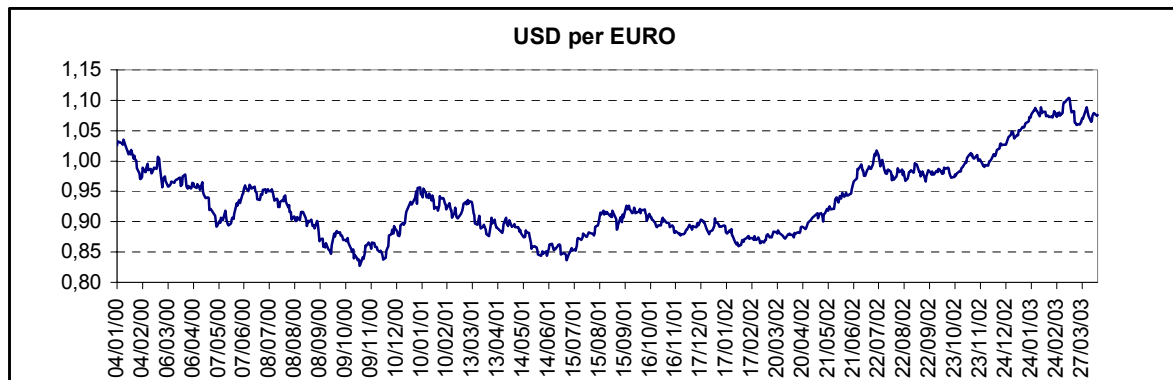
**Chart 1****Major international currencies  
04/01/2000 - 15/04/2003***(opening, selling values)*

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 an additional slight appreciation of the euro vis-à-vis the US dollar, the pound sterling and the yen, as well as a weakening of the pound sterling against the US dollar.

**Table 4**

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

(April 2003)

		Exchange rate forecasts			
	Statistical data	1-month	3-month	6-month	12-month
USD per EUR	Mean	1,06	1,07	1,08	1,10
	Minimum	1,02	0,99	0,97	0,95
	Maximum	1,10	1,15	1,17	1,27
	Number of observations	55	55	55	54
USD per GBP	Mean	1,56	1,57	1,59	1,60
	Minimum	1,52	1,47	1,45	1,44
	Maximum	1,60	1,67	1,69	1,72
	Number of observations	52	51	51	50
JPY per USD	Mean	120,58	121,65	121,43	121,42
	Minimum	117,00	110,00	110,00	108,00
	Maximum	125,00	127,12	135,00	145,00
	Number of observations	52	53	53	52
GBP per EUR	Mean	0,68	0,68	0,68	0,69
	Minimum	0,65	0,64	0,62	0,64
	Maximum	0,70	0,72	0,73	0,78

Source: Reuters. The survey was conducted in the period 7-9 April 2003.

**Cyprus pound**

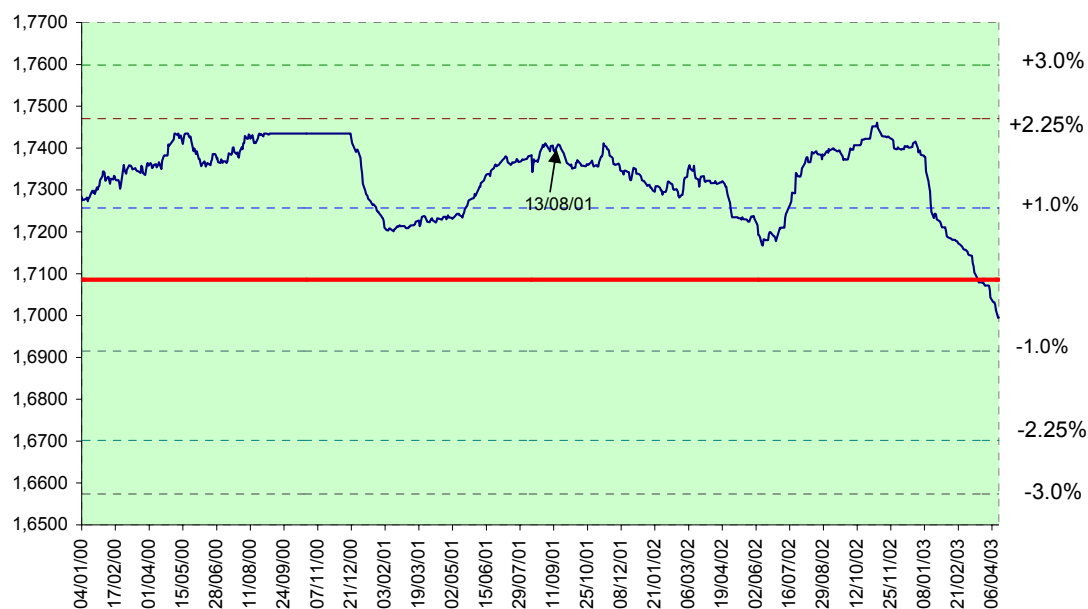
The Cyprus pound depreciated marginally against the euro in March and reached EUR 1,6995 on 15 April 2003 (opening, selling rate), compared with EUR 1,7157 on 3 March 2003. Reflecting fluctuations in international currencies during this period, the Cyprus pound strengthened gradually against the US dollar, reaching USD 1,8931 on 11 March, and then returned to January's level, reaching USD 1,8292 on 15 April.

In the same period, the Cyprus pound remained roughly stable vis-à-vis the Japanese yen and continued its slight but stable appreciation against the pound sterling, reaching GBP 1,1642 on 15 April.

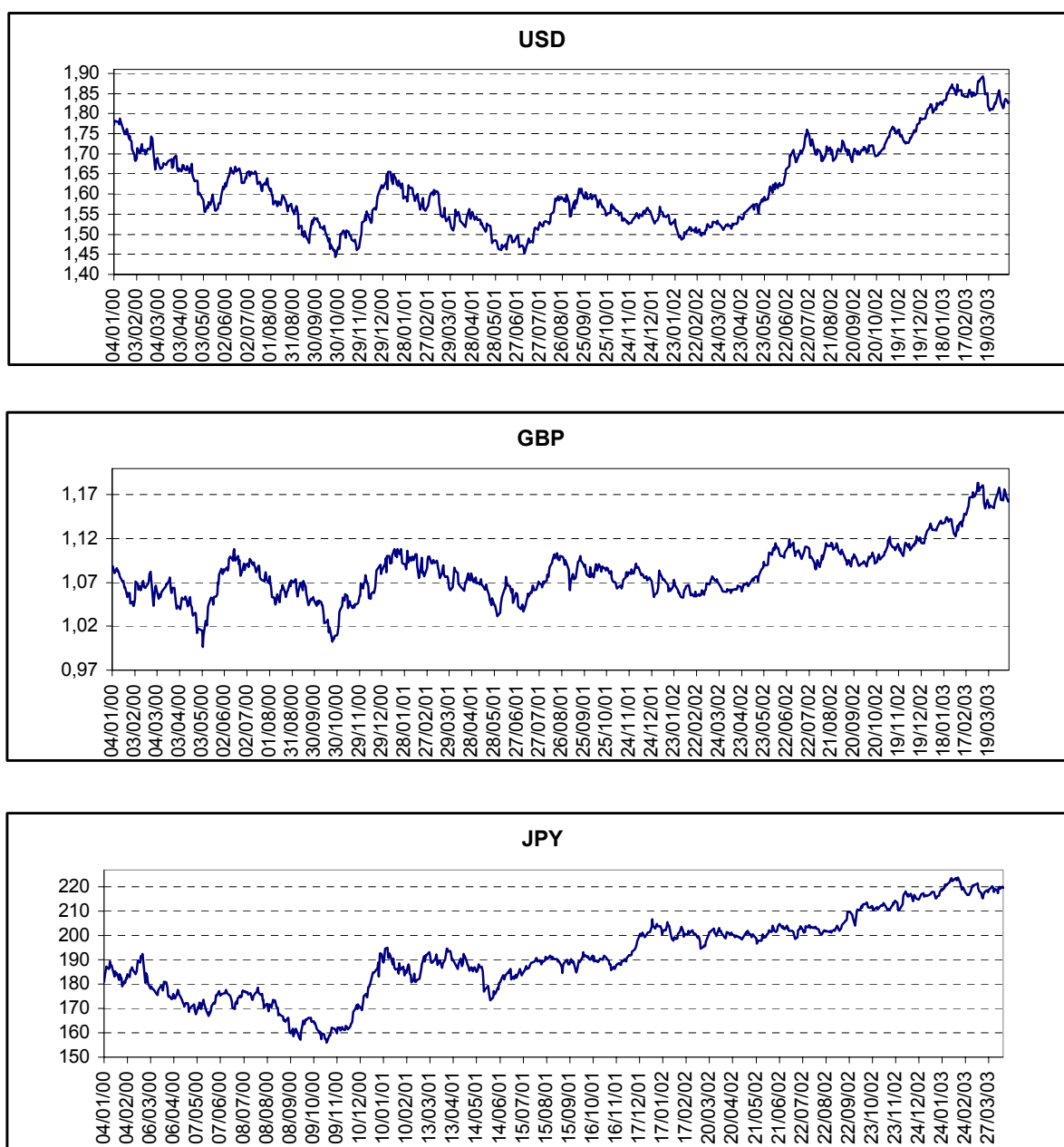
Charts 2A and 2B depict recent fluctuations in the exchange rates of the Cyprus pound vis-à-vis the euro, the US dollar, the sterling and the yen.

**Chart 2A****Exchange rate of the euro against the Cyprus pound****04/01/2000 - 15/04/2003**

(Opening, selling rate)



Note: The official exchange rate fluctuation margins of the Cyprus pound against the euro are set equal to  $\pm 15.0\%$

**Chart 2B****Cyprus Pound against major international currencies  
04/01/2000 - 15/04/2003***(opening, selling values)*

As regards the domestic foreign exchange market, purchases and sales of foreign exchange by the Central Bank until 15 April 2003 are summarized in table 5. As shown in this table, net foreign exchange outflows were recorded in March and in the first half of April, amounting to £38,55 million and £36,17 million, respectively.

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

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

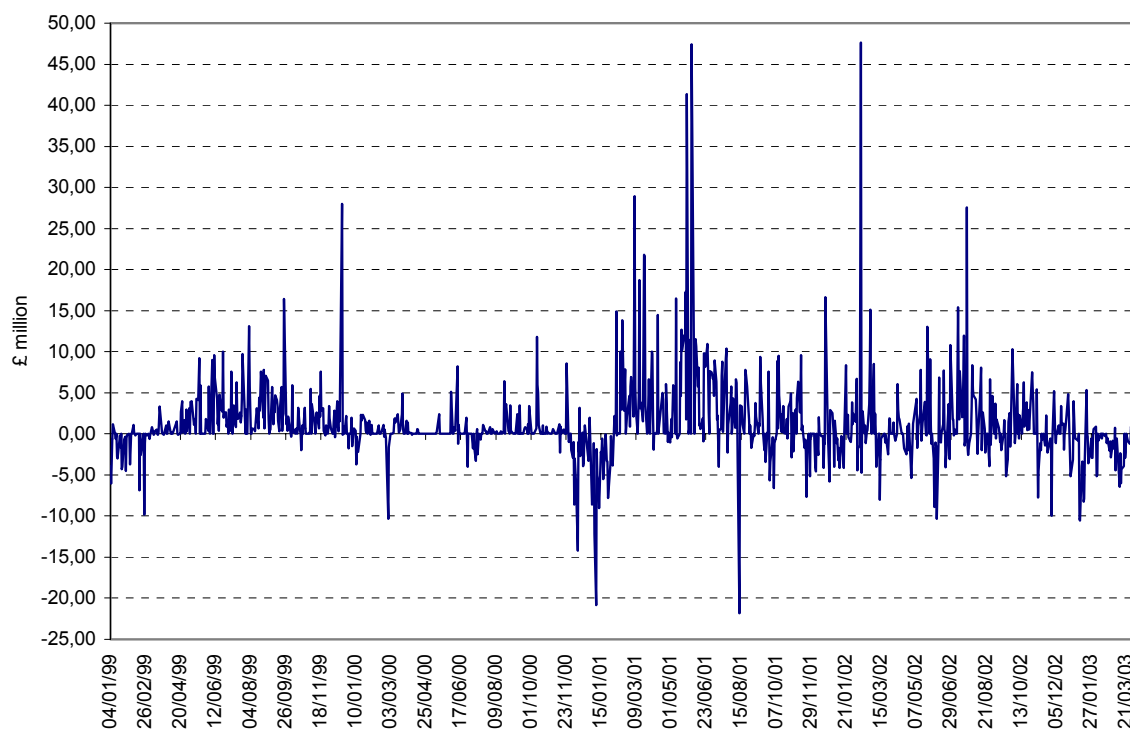
Period	Average intervention exchange rate Foreign currency per Cyprus pound (period average)			Purchases (+) / Sales (-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency (million)			In Cyprus pounds (million)
	Euro	US dollar	Pound sterling	Euro	US dollar	Pound sterling	
<u>Year</u>							
2001	1,7314	1,5602	1,0805	437,31	155,24	70,72	663,30
2002	1,7383	1,6445	1,0934	321,55	64,75	53,05	273,13
<u>Quarter</u>							
2002 Q1	1,7367	1,5226	1,0678	106,05	4,50	8,10	71,79
2002 Q2	1,7295	1,5882	1,0873	-12,25	17,30	33,80	34,44
2002 Q3	1,7397	1,7119	1,1054	205,55	13,85	-0,20	126,36
2002 Q4	1,7467	1,7472	1,1119	22,20	29,10	11,35	39,90
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,610	0,00	-116,28
<u>Month</u>							
December 2002	1,7453	1,7780	1,1209	13,20	8,80	2,60	14,96
January 2003	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February 2003	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March 2003	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April 2003*	1,7074	1,8315	1,1715	-62,05	0,30	0,00	-36,17

\*The figures for April 2003 refer to the first 15 days of the month.



**Chart 3**

**Daily purchases / sales of foreign exchange by the Central Bank  
from the domestic banks  
4/1/1999-15/04/2003**



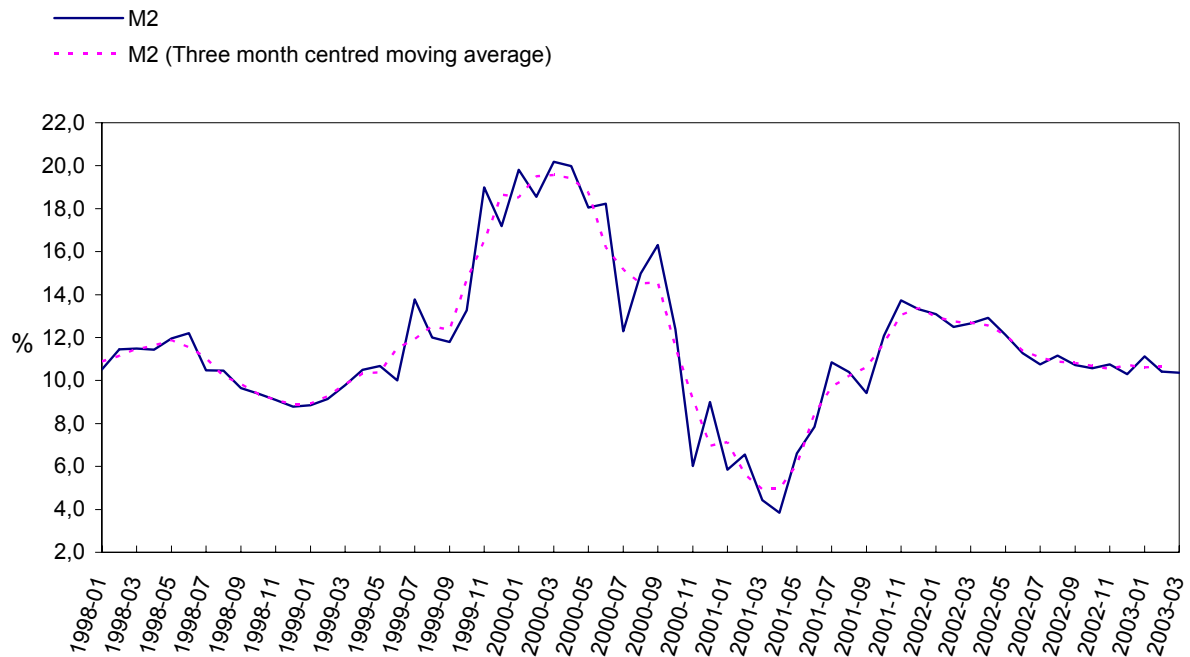
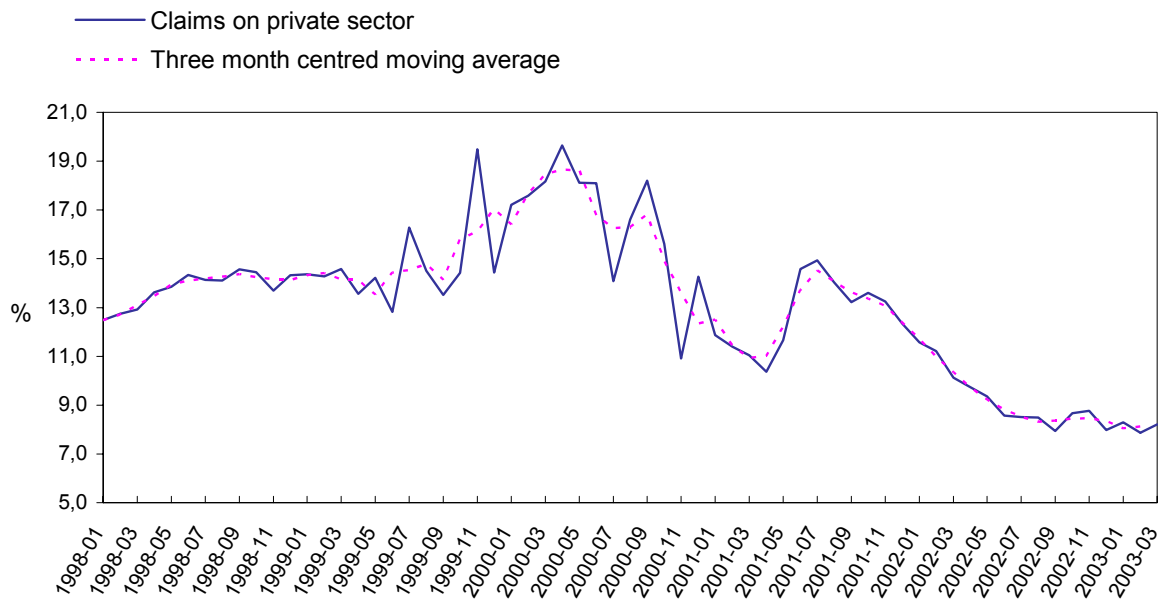
*Note: Purchases of foreign exchange by the Central Bank are shown with a positive sign.*

## 2.2 MONETARY DEVELOPMENTS\*

At an unscheduled meeting on 4 April 2003, against the background of the continuing war in Iraq and the vulnerability of the Cypriot economy to external shocks, the Monetary Policy Committee reduced the interest rate on the marginal lending facility by 50 basis points. In the monetary sector, the growth rates of both the total money supply (M2) and credit to the

private sector continued to decelerate substantially in February and March, compared with the corresponding months of 2002. Foreign exchange outflows during the first quarter of the year, mainly due to seasonal factors, contributed to the containment of the money supply and 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) decelerated in February and March 2003, reaching about 10,4%, compared with 11,1% in January 2003 and 12,6% in the corresponding months of 2002 (table 6). The slowdown is confirmed by the three-month moving average, which indicates a marginal decrease in the annual growth rate of total money supply to 10,6% in the period from December to February and in the period from January to March, from 10,7% in the period from November to January. The growth rate of the monetary aggregate M2C, which includes the co-operative credit institutions, declined to 9,8% in March, from 10,2% in January and February.

Table 7 presents the factors affecting total money supply (M2). As this table shows, during the first quarter of 2003, claims on both the private and public sectors increased, while net foreign assets fell. Claims on the private sector grew by £150,4 million in the first quarter of 2003, compared with an increase of £122,0 million in the first quarter of the previous year, and claims on the public sector registered an

increase of £111,2 million, compared with a decrease of £299,6 in the same quarter of the previous year. In the same period, net foreign assets declined by £216,1 million, compared with an increase of £166,4 million in the first quarter of 2002.

The growth rate of credit to the private sector stood at 7,9% in February and 8,2% in March, compared with 8,3% in January 2003 and 10,1% in March 2002 (table 6). According to the three-month moving average, credit expanded at an annual rate of 8,0% in the period from December to February and 8,1% in the period from January to March, down from a growth rate of 8,3% in the period from November to January. The low rate of expansion of bank lending is attributable to subdued demand for loans by the private sector, due to the slowdown in economic activity, on the one hand, and to stricter bank policies for the assessment of loan applications, on the other.

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

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

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

	Mar. 2003	Jan. - Mar.		Feb. 2002/2003	Mar. 2002/2003
		2002	2003		
Foreign assets (net)	-38.361	166.428	-216.086	-466.472	-461.012
Claims on private sector	99.564	122.001	150.392	580.420	611.171
Claims on public sector	32.184	-299.622	111.229	712.998	665.107
Unclassified items	-23.473	-10.127	-63.641	-64.767	-50.735
<b>Total money supply (M2)</b>	<b>69.914</b>	<b>-21.320</b>	<b>-18.106</b>	<b>762.179</b>	<b>764.531</b>
<b>Money supply (M1)</b>	<b>8.589</b>	<b>-121.931</b>	<b>-67.900</b>	<b>85.394</b>	<b>78.808</b>
Currency in circulation	-449	-23.114	-29.360	44.348	30.073
Demand deposits	9.038	-98.817	-38.540	41.046	48.735
<b>Quasi-money</b>	<b>61.325</b>	<b>100.611</b>	<b>49.794</b>	<b>676.785</b>	<b>685.723</b>

The breakdown of bank credit by sector of economic activity (table 8) shows that in the first quarter of 2003, trade, tourism and construction absorbed the largest part of new credit<sup>1</sup>, amounting to 39,8%, 30,9% and 21,5%, respectively. In the first quarter of the previous year, tourism dominated with a share of 28,6% of new credit. In absolute terms, loans for the tourist sector increased by £51,0 in the first quarter of 2003, compared with an increase of £36,6 million in the same quarter of 2002. Credit channelled to the construction sector also registered an increase, reaching £35,5 million, compared with £15,5 million in the first quarter of 2002. Concurrently, new credit for foreign and domestic trade rose from £35,4 million to £65,8 million.

According to provisional weekly data, in the period from 1 to 11 April 2003, new credit of the order of £64,1 million was granted, compared with £47,8 million in the same period of 2002. In the twelve months to 11 April 2003, the amount of new credit reached £621,3 million, indicating an annual growth rate of 8,3%, down from 9,9% in the corresponding period of the previous year.

As regards credit extended through credit cards, domestic expenditure by Cypriots through credit cards rose by 13,7% in March 2003, compared with a rise of 19,8% in the same month of 2002. Expenditure abroad through credit cards also registered a slowdown, with a growth rate of 14,5% down from 21,3% in the same month of 2002. At the same time, expenditure in Cyprus by foreign card holders declined by 5,0% in comparison with March 2002, in contrast to an increase of 17,0% in February 2003.

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<sup>1</sup>The figures for new credit refer to net credit granted during the reference period.

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

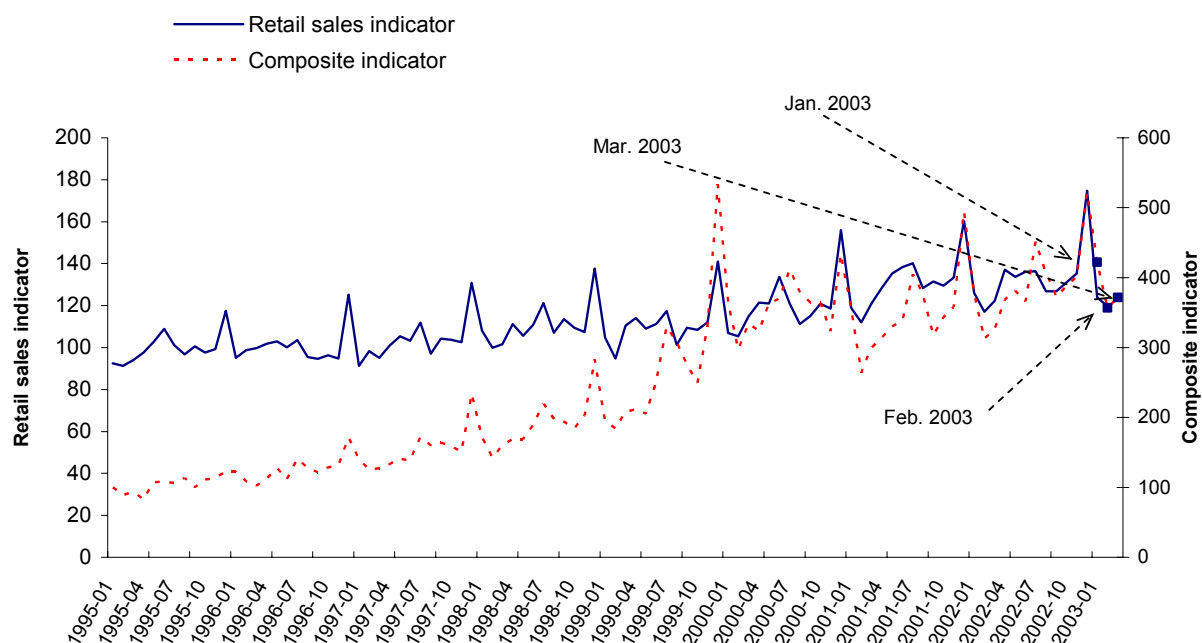
	January - March			
	2002		2003	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations <sup>1</sup>	-1.191	-0,9	8.195	5,0
Agriculture	-1.995	-1,6	1.060	0,6
Mining	2.772	2,2	776	0,5
Manufacture	10.615	8,3	4.600	2,8
Transport and communication	10.423	8,2	2.882	1,7
Foreign and domestic trade	35.353	27,7	65.757	39,8
Building and construction	15.528	12,2	35.469	21,5
Tourism	36.565	28,6	50.988	30,9
Personal and professional loans	19.311	15,1	-4.760	-2,9
Bills discounted: Local	-94	-0,1	839	0,5
Foreign	380	0,3	-789	-0,5
<b>Total</b>	<b>127.667</b>	<b>100,0</b>	<b>165.017</b>	<b>100,0</b>

*1) Including Government loans*

Data on credit cards and other monetary figures, such as cheque clearing, which are available timely, may provide an indication of the course of retail sales. Chart 6 shows the retail sales value index, for which data are available up to February 2003, and the composite indicator,<sup>2</sup> for which data are available up to March 2003.

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

<sup>2</sup> The composite indicator comprises domestic expenditure by Cypriots through credit cards and cheque clearing (*Monetary Policy Report* of September 2002).

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

Foreign currency loans to residents of Cyprus registered an increase of £31,4 million in February and £29,1 million in March, compared with an increase of £8,0 million in January.<sup>3</sup> The proportion of credit in foreign currency to total credit rose to 10,4% in February and

10,6% in March, compared with 10,0% in January 2003 and March 2002 (table 9). Provisional data for the period from 1 to 11 April 2003 indicate an increase in foreign currency loans to residents of the order of £17,9 million.

<sup>3</sup> These figures include only foreign currency loans granted by domestic banks. Lending by banks abroad to Cypriots, according to data reported for long-term loans, remained at a very low level.

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

	2003 Jan.	2003 Feb.	2003 Mar.
Foreign currency loans to residents	8,0	31,4	29,1
Claims on private sector	42,2	8,7	99,6

*(end of period balances, Cyprus pounds million)*

	2000	2001	2002	2002 Mar.	2003 Feb.	2003 Mar.
Foreign currency loans to residents	372,0	733,0	785,2	742,9	824,5	853,6
Claims on private sector	6516,0	7320,1	7902,9	7442,1	7953,7	8053,2
Share %	5,7	10,0	9,9	10,0	10,4	10,6

Data on foreign currency loans granted to Cypriots during 2003 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 reached 20,1%, 8,5% and 7,9%, respectively, while the proportion of loans denominated in euros to loans in foreign currencies declined to 59,6%.

According to data on long-term foreign currency loans, in the first quarter of 2003, 35,0% of such loans were used for construction in Cyprus, 34,0% for refinancing<sup>4</sup> and 19,0% for the acquisition of fixed assets.

<sup>4</sup> Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans to a different currency.



### Money market

Excess bank liquidity continued to prevail in the money market in March 2003, albeit declining as a result of foreign exchange outflows. Consequently, intervention in the money market by the Central Bank, through deposit collection auctions, amounted to the absorption of an average daily liquidity of £308,5 million in March, compared with £325,0 million in February and £438,9 million in January (table 11).

In March, surplus bank liquidity was moderated by the increase in currency in circulation and by the decline in the average daily value of net foreign assets, from £1.280,1 million in February to £1.210,2 million in March. An opposite effect was exerted by the overdrawn of government deposits, which was the main factor contributing

to the expansion of bank liquidity. Specifically, government overdrawn increased to an average daily value of £309,5 million in March, from £276,0 million in February, partly on account of reduced sales of government securities in February and March, in comparison with January. Specifically, net sales of government securities reached £31,7 million in February, compared with net sales of £106,0 million in January, whereas in March, net repayments of £0,07 million were registered.

The average interest rate in the deposit collection auctions increased to 3,72% in March, from 3,69% in February. In the auction held on 24 April 2003, £60,0 million were absorbed at an average interest rate of 3,42%. This decline in the average interest rate reflected the official interest rate reduction by the Central Bank on 4 April.

**Table 10**

### Interest rates

(percentages per annum)

	2000	2001	2002	2002 Mar.	2003 Jan.	2003 Feb.	2003 Mar.
Interbank (1day)	5,96	4,93	3,42	3,20	3,25	3,31	3,79
Repos	5,97	6,39					
Reverse repos/depos	4,44	4,59	3,91	3,76	3,70	3,69	3,72
Treasury bills (13 weeks)	5,75	6,00	4,02	4,00			
Treasury bills (52 weeks)	6,21	6,35	4,30	4,22	3,89	3,84	3,80
Development stocks (2 years)	6,55	6,11	4,56		4,08	4,07	
Development stocks (5 years)	7,45	6,96	5,07	5,06	4,58	4,55	
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 & depos	Currency in circulation	Central Govern. deposits (net)			Other factors (net)
		1	2	3	4	5	6	7	8	9	10	11	12	13
2001	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
	Feb.	1.280,1	0,0	0,0	0,4	0,0	32,4	79,3	325,0	402,2	-276,0	181,8	535,8	1.049,7
	Mar.	1.210,2	0,0	0,0	10,3	0,0	11,1	79,4	308,5	404,4	-309,5	188,5	538,1	1.032,9

The overnight interest rate in the interbank market rose to an average of 3,79% in March, from 3,31% in February, as a result of the decline in excess bank liquidity. Government security yields remained relatively stable in the first quarter of the year (table 10). In particular, the average interest rate on 52-week treasury bills was 3,84%, while the average interest rate on two-year and five-year bonds stood at 4,08% and 4,57%, respectively.

refer to February, domestic long-term real interest rates were below the corresponding rates in the European Union by 76 basis points, compared with 63 basis points in January. The widening of the interest rate differential stemmed from the rise in domestic inflation, as the inflation rate in the European Union remained stable. The latest twelve-month average of long-term nominal interest rates in Cyprus was 5,10%.

Table 12 gives a comparison of domestic long-term interest rates and European Union rates. According to the latest available data, which

**Table 12**

**Inflation and interest rates in Europe and Cyprus – February 2003**

*(latest twelve-month average)*

	Inflation ( HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,40	4,80	3,40
Denmark	2,50	4,90	2,40
Germany	1,20	4,70	3,50
Greece	3,80	5,00	1,20
Spain	3,70	4,80	1,10
France	1,90	4,70	2,80
Ireland	4,70	4,90	0,20
Italy	2,60	4,90	2,30
Luxembourg	2,20	4,50	2,30
Netherlands	3,70	4,70	1,00
Austria	1,70	4,80	3,10
Portugal	3,80	4,90	1,10
Finland	1,90	4,80	2,90
Sweden	2,00	5,20	3,20
United Kingdom	1,30	4,80	3,50
Euro zone	2,20	4,80	2,60
EU -15	2,00	4,80	2,80
Cyprus	3,06	5,10	2,04

### **International and domestic official interest rates**

The US Federal Reserve System, the Bank of England and the European Central Bank maintained their official interest rates unchanged at their recent meetings, whereas the Central Bank of Cyprus reduced the interest rate on the marginal lending facility by 50 basis points at an unscheduled meeting on 4 April 2003.

Following this interest rate reduction by the Central Bank of Cyprus, and the reduction by 25 basis points that was decided by the European Central Bank on 6 March, the official interest rate differential between Cyprus and the euro area stands at 100 basis points for both the marginal lending facility and the overnight deposit facility.

**Table 13**

#### **Official interest rates**

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

		change
<b>European Central Bank</b>		
<i>(3 April 2003)</i>		
Minimum bid rate on the main refinancing operations	2,50	-
Interest rate on the marginal lending facility	3,50	-
Interest rate on the deposit facility	1,50	-
<b>Bank of England</b>		
<i>(10 April 2003)</i>		
Repo Rate	3,75	-
<b>Federal Reserve System</b>		
<i>(18 March 2003)</i>		
Federal Funds Rate	1,25	-
Discount Rate	2,25	-
<b>Central Bank of Cyprus</b>		
<i>(4 April 2003)</i>		
Minimum bid rate on the main refinancing operations	3,50	-0,25
Interest rate on the marginal lending facility	4,50	-0,50
Interest rate on the deposit facility	2,50	-

### Cyprus Stock Exchange

The Cyprus Stock Exchange General Price Index continued its downturn, falling to 80,3 points on 17 March 2003 – a new record low level since October 2002 (chart 7). The slight recovery recorded at the end of the month seems to have followed the limited rise in international stock exchanges. During February, the General Price Index fluctuated in the range of 86,4 to 91,6 points, and during March it fluctuated in the range of 80,3 to 87,7 points.

The average daily traded volume remained at £0,7 million in February and March. The average daily number of transactions decreased to 997 in

February, from 1026 in January, and then increased to 1220 in March. All sectoral indices declined in the period from February to March, with the exception of the building materials and construction index, which registered a small increase in February. The securities with the largest proportion of the monthly traded volume were the shares of Bank of Cyprus and Laiki Bank, which accounted for 21,7% and 13,1% of the traded volume, respectively, in February, and 20,7% and 12,3%, respectively, in March.

#### Chart 7

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

February - March 2003

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

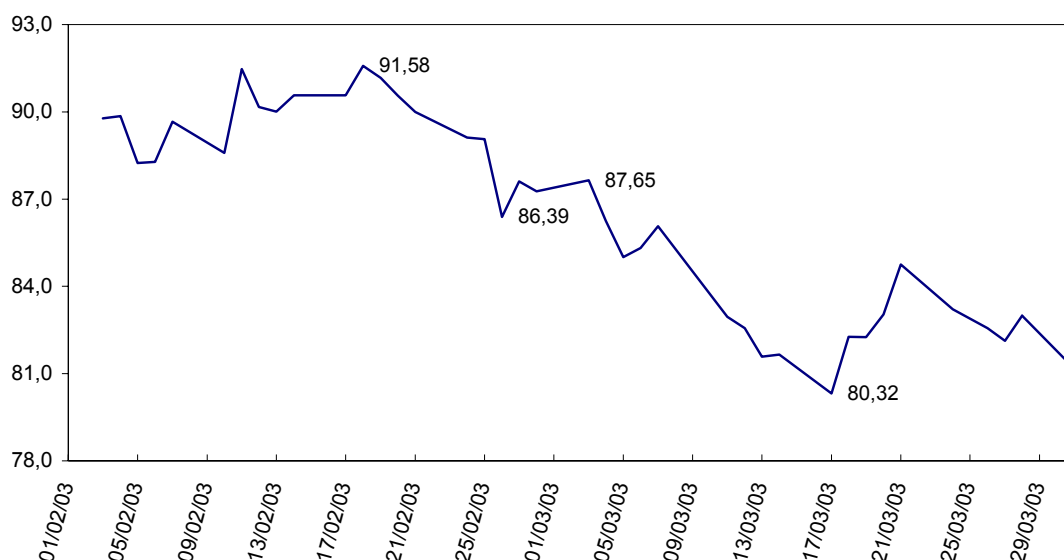


Table 14 shows small capital inflows in the Cyprus Stock Exchange during February. Specifically, sales of listed shares by non-residents were negligible, while purchases of £9

thousand were recorded. Tables 11 and 12 in the annex show purchases and sales of listed shares by non-residents analysed by country of residence.

**Table 14**

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

(CYP thousand)

	2001	2002	2003	
	Dec.	Dec.	Jan.	Feb.
Purchases	367	50	9	9
Sales	577	0	0	0
Net investments	-210	50	9	9

Source: Cyprus Stock Exchange

<sup>1</sup> These figures refer to shares not included in the dematerialisation process

## 2.3 INFLATION

Prices increased by 5,97% in March 2003, compared with an increase of 4,44% in February 2003 and 2,36% in March 2002. As table 15 indicates, the rise in the inflation rate in March compared with February was driven by the acceleration in the prices of domestic goods, which emanated from the rise in agricultural product prices, the substantial acceleration in fuel and gas prices, as well as electricity prices. By contrast, prices of industrial non-oil goods decelerated somewhat, and prices of motor vehicles fell, as in February, while services prices registered a marginal deceleration. It is pointed out that the increase in the inflation rate, which reached 4,84% in the first quarter of the year, compared with 2,58% in the first quarter of 2002, primarily reflects the increase in the VAT standard rate, from 10,0% to 13,0% effective 1 July 2002, and to 15,0% effective 1 January 2003.

Taking a more detailed look at domestic goods, a noteworthy development in March 2003 was the rise in agricultural product prices by 9,03%, after a decline of 0,15% in the previous month. In parallel, fuel and gas prices, as well as electricity prices accelerated, registering increases of 35,45% and 16,90%, respectively, compared with respective increases of 20,17% and 12,01% in February. The rise in electricity and fuel prices is attributable to the increase in oil prices – which after end of the war in Iraq, appears to have been temporary – and also to the adjustment of electricity prices for private and industrial use, which was effected in March. Specifically, the adjustment included an increase in the price of electricity for private use – the largest part of electricity consumption – and a decrease in the price of electricity for industrial use.

Prices of imported goods declined further by 3,14% in March 2003, after a decrease of 3,39% in February 2003. In particular, the prices of motor vehicles fell by 11,64%, owing to the sizeable reduction in excise duties on cars since 1 July 2002, whereas prices of other imported goods continued to increase due to the VAT increase.

Services prices increased by 4,56% in March 2003, compared with an increase of 4,62% in February 2003 and 3,26% in March 2002. The continuing decrease in telecommunications prices is noteworthy. This decrease, which started in January 2002, is attributable to the process of liberalisation of the telecommunications sector.

As a result of the aforementioned developments, inflation reached 4,84% in the first quarter of 2003, compared with 2,58% in the same quarter of 2002. The rise in inflation was driven mainly by the sharp increase in the prices of domestic industrial, non-oil goods, fuel and gas, and electricity prices, and to a lesser extent, by the increase in services prices, which are largely attributable to the increase in the VAT rate and in excise duties since July 2002 and January 2003. A more detailed analysis of developments on the inflation front by economic origin is given in tables 7 to 10 in the annex.

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

		2001	2002	March 2002/2001	February 2002/2001	March 2003/2002
	<b>All items</b>	<b>1,98</b>	<b>2,81</b>	<b>2,36</b>	<b>4,44</b>	<b>5,97</b>
<b>A</b>	<b>Domestic goods</b>	<b>1,34</b>	<b>4,35</b>	<b>2,73</b>	<b>8,57</b>	<b>12,57</b>
A.1	Agricultural	4,50	1,79	12,78	-0,15	9,03
A.2	Industrial	0,78	5,62	0,92	11,23	13,40
A.2.1	Industrial, non-oil	0,10	4,55	1,91	9,32	8,87
A.2.2	Fuel and gas	3,99	10,57	-3,60	20,17	35,45
A.3	Electricity	-3,23	-2,26	-10,75	12,01	16,90
<b>B</b>	<b>Imported goods</b>	<b>0,47</b>	<b>-1,69</b>	<b>-0,01</b>	<b>-3,39</b>	<b>-3,14</b>
B.1	Motor vehicles	0,55	-5,07	0,17	-11,78	-11,64
B.2	Other imported goods	0,41	0,85	-0,15	3,07	3,28
<b>C</b>	<b>Services</b>	<b>3,35</b>	<b>3,67</b>	<b>3,26</b>	<b>4,62</b>	<b>4,56</b>

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 around 4,5%. This projection is based on the framework of price analysis by economic origin, as presented above. It is assumed that oil prices will decline further and reach an average of around USD 25 per barrel for the year as a whole, and that agricultural product prices will register an average increase of 2,5%. It is also assumed that the Cyprus pound will not fluctuate significantly from the high levels it 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.

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 <sup>1</sup>
Cyprus	6,0	Mar.	4,3 <sup>2</sup>
Euro area	2,4	Mar.	1,8
U.S.A.	3,0	Feb.	2,3
G.Britain	3,1	Mar.	2,8
Germany	1,2	Mar.	1,1
Italy	2,7	Mar.	2,3
Denmark	2,9	Mar.	2,3
France	2,6	Mar.	1,7
Austria	1,7	Feb.	1,7
Belgium	1,8	Mar.	1,5
Spain	3,7	Mar.	3,0
Sweden	3,1	Mar.	2,4
Switzerland	1,3	Mar.	0,7
Japan	-0,2	Feb.	-0,6
Canada	4,6	Feb.	3,0

*(1) Source: The Economist (19 / 04 / 03)**(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. According to these data, in spite of the increase observed in January and February, tourist arrivals registered a sizeable decline in the first quarter of 2003, as a result of the sharp decrease recorded in March. This decrease is attributable to the war in Iraq and to a base effect associated with the Catholic Easter, which in 2002 was celebrated in March, leading to increased tourist arrivals during that month, while it was celebrated in April this year. In parallel, important indicators of supply and demand point to a continuing slowdown in economic activity. In the first two months of 2003, unemployment remained at about the same levels as in the corresponding months of 2002, while it increased in March 2003 compared with the previous year.

### **Production**

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

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 2002, respectively, compared with increases of 22,9% and 46,3% in the corresponding 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 18,5% in January 2003, but decreased by 6,8% in February, compared with a decrease of 3,1% in January 2002 and a rise of 24,9% in February 2002. In 2002, cement sales registered an increase of 12,2%, compared with a growth rate of 11,6% in 2001.

**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	Mar. 2003	6,0	Mar. 2002	2,4	Jan.-Mar. 2003	4,8	Jan.-Mar. 2002	2,6
Unemployment rate (% of E.A.P)	3,4	3,0	Mar. 2003	3,8	Mar. 2002	3,4	Jan.-Mar. 2003	4,0	Jan.-Mar. 2002	3,8
Fiscal deficit(-)/surplus(+) (% of GDP)	-150,5	-166,5	Jan.-Dec. 2002	-215,6	Jan.-Dec. 2001	-166,5	Jan.-Dec. 2002	-215,6	Jan.-Dec. 2001	-166,5
Tourist arrivals (% change)	10,3	0,4	Mar. 2003	-33,9	Mar. 2002	0,8	Jan.-Mar. 2003	-13,4	Jan.-Mar. 2002	-7,3
Tourist revenue (% change)	16,5	7,0	Feb. 2003	8,9	Feb. 2002	-0,9	Jan.-Feb. 2003	13,1	Jan.-Feb. 2002	-6,5
Cypriots traveling abroad (% change)	4,2	16,8	Jan. 2003	35,5	Jan. 2002	-14,4	Jan. 2003	35,5	Jan. 2002	-14,4
Volume index of retail sales (% change)	5,7	5,9	Feb. 2003	-1,3	Feb. 2002	2,7	Jan.-Feb. 2003	-3,0	Jan.-Feb. 2002	3,5
Private car registration (% change)	-6,5	19,4	Mar. 2003	33,0	Mar. 2002	19,6	Jan.-Mar. 2003	19,1	Jan.-Mar. 2002	38,9
Volume index of manufacturing production (% change)	4,0	-2,6	Dec. 2002	2,3	Dec. 2001	3,0	Jan.-Dec. 2002	-2,1	Jan.-Dec. 2001	-3,8
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	Feb. 2003	-6,8	Feb. 2002	24,9	Jan.-Feb. 2003	5,0	Jan.-Feb. 2002	6,1
Total imports (c.i.f.) (% change)	23,2	2,4	Dec. 2002	18,0	Dec. 2001	-11,5	Jan.-Dec. 2002	-1,7	Jan.-Dec. 2001	2,4
Imports for home consumption (c.i.f.) <sup>1</sup> (% change)	16,5	8,7	Dec. 2002	12,9	Dec. 2001	-4,9	Jan.-Dec. 2002	3,8	Jan.-Dec. 2001	8,7
Total exports (f.o.b.) (% change)	9,0	6,1	Dec. 2002	-6,5	Dec. 2001	6,7	Jan.-Dec. 2002	-18,8	Jan.-Dec. 2001	6,1
Domestic exports(f.o.b.) (% change)	8,4	4,5	Dec. 2002	-3,8	Dec. 2001	-1,8	Jan.-Dec. 2002	-4,9	Jan.-Dec. 2001	4,5
Trade deficit (£ million)	-1877,0	-1900,7	Dec. 2002	-183,0	Dec. 2001	-146,4	Jan.-Dec. 2002	-1974,9	Jan.-Dec. 2001	-1900,7

(1) Non-oil civil imports

Manufacturing continued to present a negative picture, notwithstanding the small increase in the volume index of manufacturing production recorded in December 2002. For 2002 as a whole, the volume index of manufacturing production registered a contraction of 2,1%,

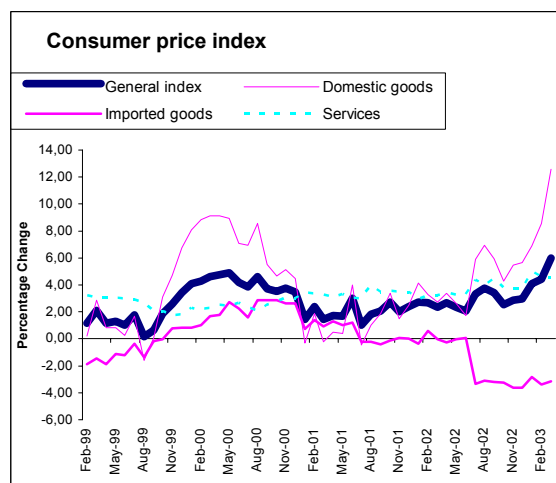
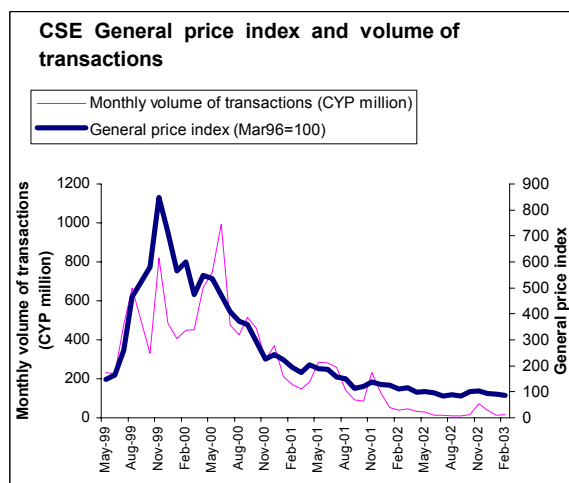
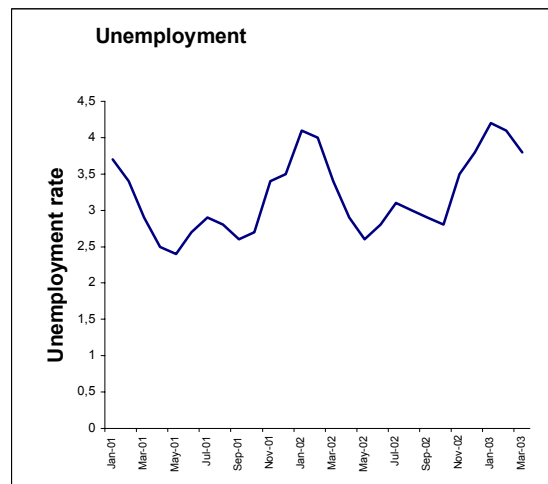
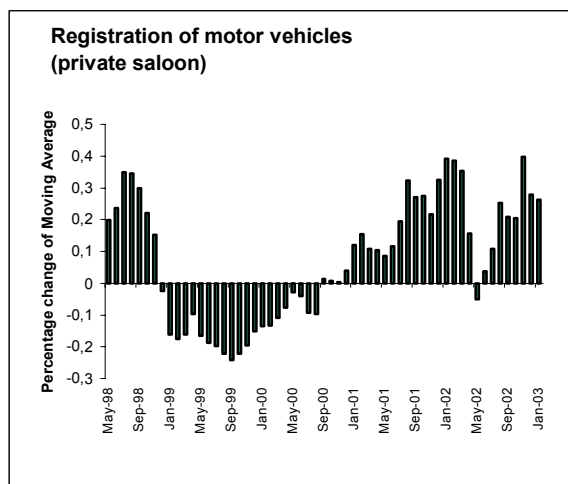
compared with a contraction of 3,8% in 2001. The time of recovery from the observed downturn in manufacturing is difficult to predict. The performance of manufacturing by product category is shown in table 18.

**Table 18**

**Manufacturing production volume index**

(percentage change)

	Dec. 01/00	Dec. 02/01	Jan.-Dec. 01/00	Jan.-Dec. 02/01
General index	<b>3,0</b>	<b>2,3</b>	<b>-2,0</b>	<b>-2,6</b>
Food products, beverages & tobacco	-4,8	3,2	-7,3	-8,1
Textiles & textile products	-8,8	-26,5	-3,5	-18,4
Leather and leather products	-10,3	-21,8	-7,8	-8,4
Wood & wood products	10,0	11,0	-1,9	1,4
Paper, paper products, publishing & printing	4,5	-6,3	6,2	-2,4
Refined petroleum products	3,3	-11,1	-2,0	-6,0
Chemicals, chemical products and man-made fibres	22,2	-9,8	10,8	3,3
Rubber and plastic products	-11,4	24,9	-6,2	5,0
Other non-metallic mineral products	-5,7	25,0	2,3	11,0
Basic metals & fabricated metal products	16,0	33,6	2,5	9,8
Machinery and equipment n.e.c.	-5,1	-8,0	-1,1	-3,1
Electrical & optical equipment	-3,3	-11,5	-2,7	-1,9
Transport equipment	85,7	21,5	-3,1	20,3
Manufacturing n.e.c.	4,1	-4,8	-5,3	-3,4

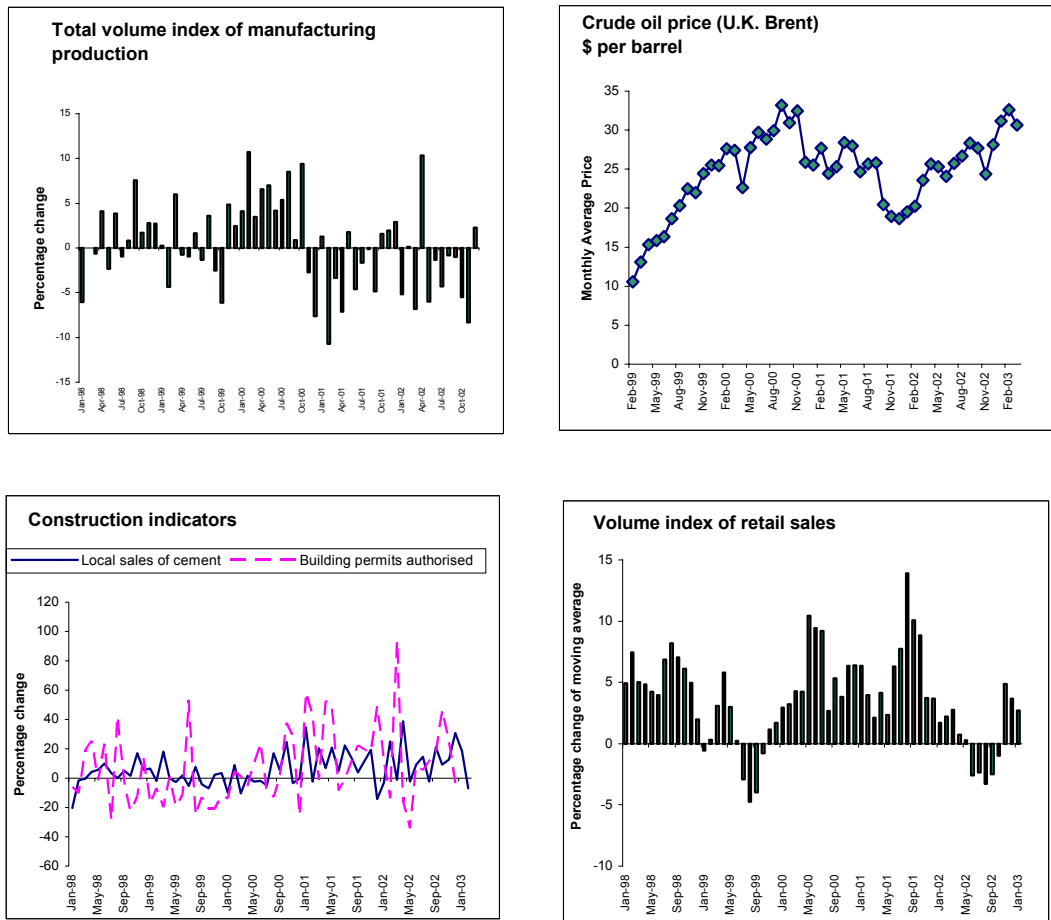
**Chart 8**

### Consumption

Private consumption appears to have declined in the first two months of 2003. Specifically, the retail sales volume index declined by 3,0% in the period from January to February 2003, compared with an increase of 3,5% in the same period of the previous year. In February 2003, the index declined by 1,3%, compared with an increase of 2,7% in the same month of 2002. The decline in the retail sales volume index during the first two months of 2003

reflects, in part, the course of retail sales of cars, which registered a slowdown in the period from January to February 2003 in comparison with the same period of the previous year.

In 2002, the retail sales volume index rose by 1,0%, following the sharp increase of 11,8% registered in December 2002, which emanated from the rise in the demand for cars during that month.

**Chart 9**

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

duties on cars. In particular, car sales rose by 8,5%, 19,0% and 33,0% in January, February and March 2003, respectively. In the first quarter of the year, car registrations increased by 19,1%, compared with a rise of 38,9% in the same quarter of 2002.

Developments concerning non-oil imports for home consumption (excluding imports of military equipment) seem consistent with the subdued domestic demand observed in 2002. These imports slowed to a growth rate of 2,7% in the period from January to October 2002, from 11,3% in the same period of 2001. Provisional data for the last two months of 2002 indicate that non-oil imports for home consumption (excluding imports of military equipment) grew by 3,8% in 2002 as a whole, compared with an increase of 8,7% in 2001.

The number of Cypriots travelling abroad also registered a deceleration. Specifically, the number of Cypriot travellers increased by 8,7% in 2002, compared with an increase of 16,9% in 2001, even though a rise of 52,0% was registered in the last quarter of 2002. In the first month of 2003, the number of Cypriots travelling abroad rose by 35,5%, compared with a fall of 14,4% in the same month of 2002.

**Table 19**

**Retail sales volume index**

*(percentage change by category)*

	Feb. 02/01	Feb. 03/02	Jan.-Feb. 02/01	Jan.-Feb. 03/02
General index	<b>2,7</b>	<b>-1,3</b>	<b>3,5</b>	<b>-3,0</b>
Food, drinks and tobacco	-8,8	-3,9	-6,4	-3,4
Clothing and textiles	-18,2	32,8	1,2	17,1
Footwear & leather products	0,6	-4,1	8,7	-6,4
Electrical goods & appliances	4,2	-0,7	6,2	-9,2
Vehicles, machinery & spare parts	19,0	-7,2	13,6	-6,6
Supermarkets	3,7	-12,9	6,1	-12,9
Pharmacies	7,7	9,0	5,2	12,3
Furniture	1,8	16,1	10,9	-4,8
Petrol stations	-1,1	13,8	1,2	9,2
Toys	-13,2	10,5	-8,2	-9,3

### Confidence indicators

Chart 10 illustrates the course of confidence indicators for the Cypriot economy since May 2001, when the European Commission started their release.<sup>5</sup> As this chart shows, trends in confidence indicators are consistent with the overall picture of the Cypriot economy presented in this *Report*.

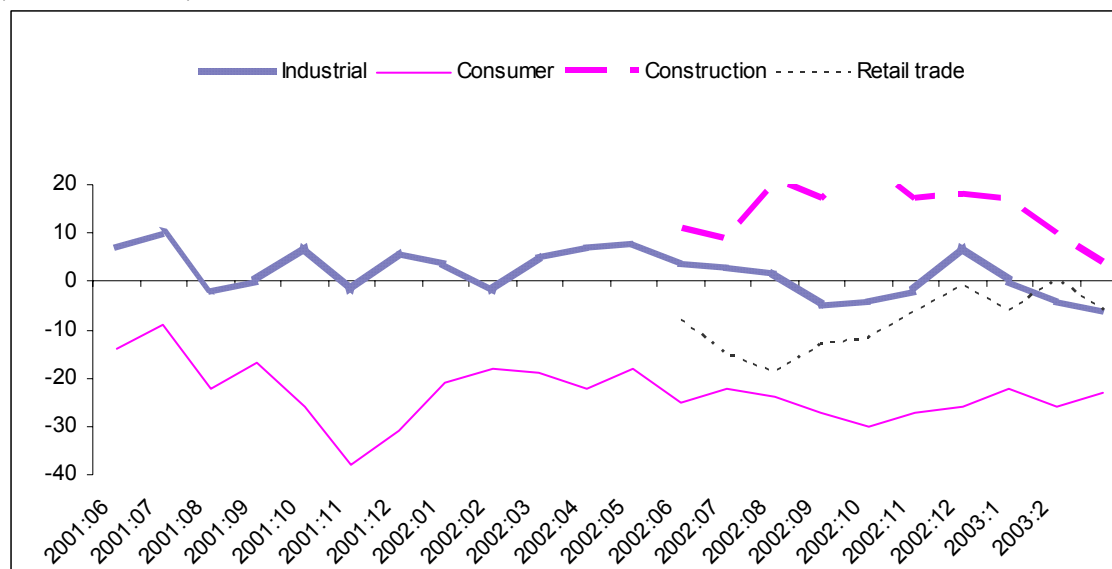
In particular, notwithstanding fluctuations during 2002, the construction confidence indicator registered an overall positive trend, which is consistent with the satisfactory performance of the construction sector in 2002, as portrayed by the volume and value indices of building permits, as well as by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

February. The overall downward trend in the industrial confidence indicator, which continued in January and February 2003, is consistent with the negative performance of the sector depicted by the volume index of manufacturing production in 2002.

Furthermore, notwithstanding the small increase observed in February 2003, the consumer confidence indicator shows a negative course, which is compatible with the substantial slowdown exhibited by private consumption. The retail trade confidence indicator also registered a decline in the second month of 2003.

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<sup>5</sup>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 surveys conducted by the national statistical institutes and harmonised by the European Commission.

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

According to the latest available data for the labour market, the number of registered unemployed increased by 14,5% in March 2003, while the unemployment rate, as a percentage of the economically active population, rose to 3,8%, compared with 3,4% in the same month of the previous year. For the first quarter of 2003, the number of registered unemployed increased by 6,6%, compared with an increase of 15,9% in the first quarter of 2002, and the unemployment rate rose to 4,0%, from 3,8%. Rising unemployment has been observed since November 2001 and is consistent with the recorded slowdown in overall economic activity.

**Public finances**

According to provisional data from the Ministry of Finance, the fiscal deficit increased to £215,7 million in 2002, from £166,5 million in 2001. As a percentage of GDP, the fiscal deficit reached 3,5% in 2002, compared with 2,8% in the previous year, exceeding the limit of 3,0% specified in the pertinent Maastricht criterion. Public revenue decelerated significantly, with a growth rate of 5,3%, compared with 11,1% in 2001. Public expenditure also decelerated, registering an increase of 7,1%, compared with a growth rate of 11,1% in the previous year.

Taking a more detailed look at public expenditure, current expenditure decelerated, while capital expenditure accelerated somewhat. Among the categories of current expenditure, current transfers, interest payments and social pension payments decelerated; in parallel, subsidies fell, due to the abolition of subsidies on petroleum products. By contrast, social security fund payments, and wages and salaries



accelerated. As regards capital expenditure, investment increased substantially, while 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 tax receipts declined, while indirect tax receipts accelerated. More specifically, as regards direct taxes, a decline was recorded in income tax receipts. As regards indirect taxes, VAT receipts and excise taxes accelerated, owing to the rise in tax rates effected in July 2002, while import duties decreased.

### **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 the downturn in manufacturing. The observed deceleration in private consumption and imports for home consumption also indicates a slowdown in the economy.

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

**Table 20**  
**Public finances summary**

	2001	2002 (Prov.)	2001	2002 (Prov.)
	£million		(% change)	
<b>Total revenue and grants</b>	<b>2073,2</b>	<b>2182,3</b>	<b>11,1</b>	<b>5,3</b>
Direct taxes	659,4	639,8	18,2	-3,0
Income tax	482,8	460,8	29,1	-4,6
Indirect taxes	722,0	803,2	10,5	11,2
Value added tax	344,7	403,8	16,2	17,1
Excise taxes	178,4	198,7	11,0	11,4
Import duty	73,6	72,5	17,6	-1,5
Social security funds contributions	278,0	300,5	13,9	8,1
Other revenues	411,3	436,1	1,0	6,0
Foreign grants	2,5	2,7	0,0	8,0
<b>Total expenditure and net lending</b>	<b>2239,7</b>	<b>2398,0</b>	<b>11,1</b>	<b>7,1</b>
Current expenditure	2006,0	2170,1	12,1	8,2
Goods and services	870,1	972,2	16,4	11,7
Wages and salaries	559,7	604,5	6,3	8,0
Current transfers	374,0	425,3	15,9	13,7
Social pension	25,7	26,9	5,8	4,7
Social security funds payments	318,8	337,6	4,8	5,9
Subsidies	91,1	64,2	14,6	-29,5
Interest	330,0	344,0	5,8	4,2
Capital expenditure	217,2	219,0	0,6	0,8
Investment	155,6	170,7	1,6	9,7
Capital transfers	61,7	48,3	-1,3	-21,7
Net lending	16,5	8,9	58,7	-46,1
<b>Fiscal surplus (+)/deficit(-)</b>	<b>-166,5</b>	<b>-215,7</b>	<b>10,7</b>	<b>29,5</b>

The end of the war in Iraq considerably reduced concerns about prospects for 2003. Even though economic developments are still uncertain, particularly concerning the likelihood of a rebound in tourism, it appears that the worst case scenario has been avoided. Tourism is not expected to decline by as much as originally predicted, although uncertainty still surrounds the prospects of tourism, partly due to the expected weak economic activity in Europe during 2003. In addition, taking into account the recent reduction in official interest rates and the expected further decline in oil prices, economic growth in 2003 will perhaps not be weaker than in 2002. Concerning public finances, the Ministry of Finance expects the fiscal deficit to increase to about 4,0% of GDP. This projection is rather optimistic.

## 2.5 EXTERNAL TRANSACTIONS

### Goods

Table 21 gives an overview of the trade balance in 2002, including provisional data for November and December.

Total imports decreased by 1,7% in 2002, compared with an increase of 2,4% in 2001. This decline emanated to a large extent from the fall in imports destined for re-exports by 35,6%. Non-oil imports for home consumption excluding imports of military equipment recorded a marked slowdown, with a growth rate of 3,8%, down from 8,7% in 2001.

VAT receipts from imports of goods,<sup>6</sup> which may be considered as an indicator of imports, registered a sharp increase of 50,6% in March 2003, reflecting the rise in the VAT standard rate from 10,0% to 15,0%. It therefore appears that imports remained subdued in the first quarter of 2003.

Turning to total exports, the provisional data indicate a continued decline in November and December 2002, primarily on account of the fall in re-exports. The decline in total exports was of the order of 18,8% in 2002, compared with an increase of 6,1% in 2001, as re-exports fell by 28,0%. In parallel, domestic exports declined by 4,9%, compared with an increase of 4,5% in 2001.

As a result of these developments, the crude trade deficit reached £1.974,9 million in 2002, compared with a deficit of £1.900,7 million in 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. The data cover the period up to October 2002.

Concerning imports for home consumption, table 22 shows that in the period from January to October 2002, imports of consumer goods slowed, registering a growth rate of 3,4%, compared with 11,0% in the same period of 2001. Imports of intermediate inputs decreased by 0,2%, compared with an increase of 7,3% in the first ten months of 2001. Imports of capital goods fell by 8,7%, compared with a rise of 13,4% 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 increase of 23,9% was recorded in imports of transport equipment and parts thereof. This increase emanated mostly from the purchase of two aircraft, valued at a total of £42,5 million, by Cyprus Airways. If these purchases are excluded, the growth rate of imports of transport equipment and parts thereof is reduced to 1,8%.

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<sup>6</sup> VAT is levied on all goods cleared through customs for the domestic market.

As regards domestic exports (table 23), a decline of 4,2% was registered in the period from January to October 2002, compared with an increase of 4,3% in the same period of 2001.

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

**Table 21**

**Trade balance data<sup>1</sup>**

(CYP million)

	2001/2000 % Change	2000 Jan. - Dec.	2001 Jan. - Dec.	2002 Jan. - Dec.	2001/2000 % Change Jan. - Dec.	2002/2001 % Change Jan. - Dec.
<b>Total imports (cif)</b>	2,4	2.468,9	2.528,7	2.485,0	2,4	-1,7
Imports for home consumption (cif)	6,9	2.035,7	2.176,8	2.258,4	6,9	3,7
<i>Non oil civil imports for home consumption (cif)</i>	8,7	1.668,3	1.813,0	1.881,3	8,7	3,8
<i>Imports destined for re-exports</i>	-18,8	433,3	351,9	226,6	-18,8	-35,6
<b>Total exports</b>	6,1	591,9	628,0	510,1	6,1	-18,8
Domestic exports (fob)	4,5	224,0	233,9	222,4	4,5	-4,9
Re-exports (fob)	12,5	299,6	337,0	242,5	12,5	-28,0
Shipstores	-16,4	57,1	57,1	45,1	0,0	-21,0
<b>Trade balance</b>	3,7	-1.877,1	-1.900,7	-1.974,9	1,3	3,9

<sup>1</sup> Figures for December 2002 are provisional

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

	2000 Yearly	2001 Yearly	2000 Jan. - Oct.	2001 Jan. - Oct.	2002 Jan. - Oct.	2000/1999 Yearly % change	2001/2000 Yearly % change	2001/2000 Jan. - Oct. % change	2002/2001 Jan. - Oct. % change
<b>Consumer goods</b>	<b>569,6</b>	<b>617,7</b>	<b>467,1</b>	<b>518,6</b>	<b>536,1</b>	<b>18,3</b>	<b>8,4</b>	<b>11,0</b>	<b>3,4</b>
Non-durable	308,7	338,1	256,5	284,7	297,2	16,8	9,5	11,0	4,4
Semi-durable	157,4	170,4	127,9	143,9	148,2	18,5	8,3	12,6	3,0
Durable	103,5	109,2	82,7	89,9	90,7	22,4	5,5	8,7	0,8
<b>Intermediate inputs</b>	<b>675,1</b>	<b>710,3</b>	<b>550,3</b>	<b>590,2</b>	<b>589,3</b>	<b>16,5</b>	<b>5,2</b>	<b>7,3</b>	<b>-0,2</b>
Agricultural	42,0	42,2	31,1	32,0	32,8	19,2	0,3	2,7	2,4
Construction and mining	110,4	120,7	88,5	101,8	112,0	19,4	9,4	15,1	10,0
Manufacturing	398,8	421,8	330,8	350,6	348,6	12,0	5,8	6,0	-0,6
Transport, storage and communication	44,9	29,4	35,5	25,9	19,2	52,1	-34,6	-27,0	-25,8
Other sectors of the economy	79,0	96,2	64,4	79,9	76,6	18,9	21,7	24,1	-4,2
<b>Capital goods</b>	<b>237,1</b>	<b>258,3</b>	<b>192,0</b>	<b>217,8</b>	<b>198,8</b>	<b>25,1</b>	<b>8,9</b>	<b>13,4</b>	<b>-8,7</b>
Agricultural	8,8	8,8	7,5	7,7	7,4	1,4	0,7	3,1	-3,9
Construction and mining	15,7	20,6	12,5	17,6	17,4	-37,7	31,3	40,8	-1,2
Manufacturing	67,0	69,6	52,7	59,8	49,4	34,7	4,0	13,4	-17,3
Transport, storage and communication	43,8	52,3	35,9	43,5	37,1	49,9	19,3	21,1	-14,8
Other sectors of the economy	101,9	107,0	83,3	89,1	87,5	32,8	5,0	6,9	-1,9
<b>Transport equipment and parts thereof</b>	<b>186,4</b>	<b>226,6</b>	<b>155,6</b>	<b>192,2</b>	<b>238,1</b>	<b>3,1</b>	<b>21,6</b>	<b>23,5</b>	<b>23,9</b>
of which:									
passenger cars	74,9	94,6	101,5	129,2	132,3	10,3	26,3	27,3	2,4
spare parts	53,3	61,3	43,9	52,6	52,2	-3,0	15,1	19,9	-0,7
aircraft and parts	0,8	0,6	0,0	0,0	42,7				
<b>Fuels and lubricants</b>	<b>269,3</b>	<b>266,1</b>	<b>220,5</b>	<b>237,2</b>	<b>180,9</b>				
<b>Unclassified</b>	<b>31,1</b>	<b>97,9</b>	<b>82,6</b>	<b>84,1</b>	<b>101,2</b>				
<b>Imports for home consumption</b>	<b>1968,7</b>	<b>2176,8</b>	<b>1667,8</b>	<b>1840,0</b>	<b>1844,3</b>	<b>22,4</b>	<b>6,9</b>	<b>10,3</b>	<b>0,2</b>
Imports destined for re-exports	433,3	351,9	351,0	303,6	195,6	26,9	-18,8	-13,5	-35,6
<b>Total imports</b>	<b>2401,9</b>	<b>2528,7</b>	<b>2018,8</b>	<b>2143,6</b>	<b>2040,0</b>	<b>23,2</b>	<b>2,4</b>	<b>6,2</b>	<b>-4,8</b>
<u>Memo item:</u>									
Non oil civil imports for home consumption	1668,0	1813,0	1364,8	1518,9	1559,2	16,5	8,7	11,3	2,7

Source: Statistical Service of Cyprus

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

(CYP million)

	2000 Yearly	2001 Yearly	2000 Jan. - Oct.	2001 Jan. - Oct.	2002 Jan. - Oct.	2000/1999 Yearly % change	2001/2000 Yearly % change	2001/2000 Jan. - Oct. % change	2002/2001 Jan. - Oct. % change
<b>Agricultural products (raw)</b>	<b>34,4</b>	<b>43,8</b>	<b>31,1</b>	<b>40,1</b>	<b>33,0</b>	<b>-5,7</b>	<b>27,4</b>	<b>28,7</b>	<b>-17,6</b>
of which:									
potatoes	12,3	17,5	12,3	17,5	10,7				
other vegetables	3,2	4,2	2,3	3,2	2,9				
fresh, frozen or dried									
citrus fruit	12,8	14,7	11,2	12,6	16,1				
<b>Minerals and industrial products of mineral origin</b>	<b>12,4</b>	<b>11,6</b>	<b>9,7</b>	<b>9,8</b>	<b>8,5</b>	<b>7,8</b>	<b>-6,3</b>	<b>1,6</b>	<b>-12,9</b>
<b>Industrial products of agricultural origin</b>	<b>28,2</b>	<b>28,0</b>	<b>23,7</b>	<b>23,1</b>	<b>28,4</b>	<b>11,4</b>	<b>-0,7</b>	<b>-2,5</b>	<b>23,0</b>
of which:									
halloumi cheese	7,6	7,7	6,5	6,1	9,3	24,6	1,3		
fruit preserved	1,5	0,9	1,4	0,8	0,8	0,0	-40,0		
fruit and vegetable juices	3,5	4,1	3,0	3,5	4,3	20,7	17,1		
beer	1,0	1,0	1,0	0,9	0,8	-9,1	0,0		
wines	6,2	5,3	5,1	4,0	4,6	-15,1	-14,5		
meat	3,2	2,9	2,5	2,4	3,9				
<b>Industrial products of manufacturing origin</b>	<b>148,8</b>	<b>150,5</b>	<b>124,9</b>	<b>124,6</b>	<b>119,4</b>	<b>11,9</b>	<b>1,1</b>	<b>-0,2</b>	<b>-4,2</b>
of which:									
cigarettes	16,2	10,8	14,1	9,2	4,1				
cement	10,8	8,4	9,5	6,8	7,2				
pharmaceutical products	30,9	39,4	25,1	31,8	36,7	22,6	27,7	26,8	15,3
articles of paper or of paperboard	4,8	6,0	4,0	4,8	4,7				
clothing	22,5	19,7	19,3	17,1	13,7	-1,3	-12,3	-11,4	-20,0
footwear	6,1	3,8	5,2	3,3	2,3				
furniture	7,9	6,8	6,6	5,7	5,2				
<b>Unclassified</b>	<b>0,0</b>	<b>0,1</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>				
<b>Domestic exports</b>	<b>224,0</b>	<b>233,9</b>	<b>189,6</b>	<b>197,7</b>	<b>189,5</b>	<b>8,4</b>	<b>4,5</b>	<b>4,3</b>	<b>-4,2</b>
re-exports	299,6	337,0	257,0	288,7	209,5	0,6	12,5	12,3	-27,4
shipstores	68,3	57,1	59,5	51,9	37,1	76,4	-16,4	-12,8	-28,5
<b>Total exports</b>	<b>591,9</b>	<b>628,0</b>	<b>506,1</b>	<b>538,3</b>	<b>436,1</b>	<b>9,0</b>	<b>6,1</b>	<b>6,4</b>	<b>-19,0</b>

Source: Statistical Service of Cyprus

### **Tourism**

As table 24 shows, March reversed the encouraging developments of the first two months of 2003, which registered a 9,1% increase in tourist arrivals compared with the same period of 2002. In March, a sharp fall of 33,9% in tourist arrivals was recorded, first due to the outbreak of the war in Iraq and second due to a base effect associated with the Catholic Easter, which in 2002 was celebrated in March, whereas in 2003 it was celebrated in April. This sharp fall is not expected to continue, since the war has essentially ended and the climate of insecurity has to a large extent been reversed.

Reflecting the decline in tourist arrivals, receipts from tourism fell by 36,1% in March. For the first quarter of 2003, receipts from tourism fell by 13,5%, compared with an increase of 5,7% in the same quarter of 2002.

### **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 is estimated to have widened to about 5,5% of GDP in 2002. Besides the downturn in tourism, the current account balance in 2002 was significantly affected by the purchase of aircraft by Cyprus Airways – valued at £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 likely recovery of the world economy, albeit marginal, and the revitalization of tourism, is expected to lead to a small improvement in the current account balance in the current year. This improvement depends on the strength of the recovery in tourism, which is yet uncertain.

**Table 24****Tourist arrivals<sup>1</sup>***(number of persons)*

	1999	2000	2001	2002	2003	% change 2001/2000	% change 2002/2001	% change 2003/2002
January	57.740	63.553	64.214	54.067	59.529	1,0	-15,8	10,1
February	74.041	87.243	83.569	71.950	77.972	-4,2	-13,9	8,4
March	126.494	135.487	137.578	138.625	91.634	1,5	0,8	-33,9
April	180.076	221.785	237.228	180.481		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. - Mar.	258.275	286.283	285.361	264.642	229.170	-0,3	-7,3	-13,4
Jan. - Dec.	2.434.285	2.686.202	2.696.731	2.418.233		0,4	-10,3	

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

	2000	2001	2002	2003	% change 2002/2001	% change 2003/2002
January		24,9	21,6	25,6	-13,5	18,8
February		29,1	28,9	31,4	-0,9	8,9
March		49,7	59,2	37,8	18,9	-36,1
April		89,9	77,0		-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	35,6		21,8	
Jan. - Mar.		103,7	109,7	94,9	5,7	-13,5
Jan. - Dec.		1.271,6	1.132,4		-11,0	

*Source: Statistical Service of Cyprus*<sup>1</sup> Receipts from same - day visitors are not included



### **3. ANNEX**

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

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

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

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

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders				Fixed rate tenders	Running for (...) days
			Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate	Fixed rate	
2002 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
27 Feb.	236,0	220,0	3,75	3,70	3,63	3,75		14
13 Mar.	135,0	135,0	3,75	3,70	3,67	3,75		14
27 Mar.	295,0	100,0					3,75	42
27 Mar.	127,0	127,0	3,75	3,71	3,68	3,72		14
10 Apr.	157,0	125,0	3,50	3,40	3,39	3,44		14

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

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

		Cyprus					Euro area				
		Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2001	Dec.	3,88	4,67	4,62	5,00	4,38	3,34	3,42	3,34	3,26	3,30
2002	Jan.	3,39	3,82	4,09	-	-	3,29	3,35	3,34	3,34	3,48
	Feb.	3,22	3,66	3,83	-	4,50	3,28	3,34	3,36	3,40	3,59
	Mar.	3,20	-	4,10	5,05	4,57	3,26	3,35	3,39	3,50	3,82
	Apr.	3,29	-	4,10	5,10	-	3,32	3,34	3,41	3,54	3,86
	May	3,28	3,74	4,25	4,60	5,02	3,31	3,37	3,46	3,62	3,95
	June	3,42	3,77	3,96	4,88	5,55	3,35	3,38	3,46	3,59	3,87
	July	3,45	3,00	4,00	-	4,95	3,30	3,36	3,41	3,48	3,64
	Aug.	3,33	3,67	4,02	-	-	3,29	3,33	3,35	3,38	3,44
	Sep.	3,72	3,70	4,29	5,02	-	3,32	3,32	3,31	3,27	3,24
	Oct.	3,40	3,50	3,73	4,19	-	3,30	3,31	3,26	3,17	3,13
	Nov.	3,79	3,28	4,15	4,15	-	3,30	3,23	3,12	3,04	3,02
	Dec.	3,52	3,13	3,33	-	-	3,09	2,98	2,94	2,89	2,87
2003	Jan.	3,25	2,75	3,37	-	4,00	2,79	2,86	2,83	2,76	2,71
	Feb.	3,31	-	3,63	3,90	-	2,76	2,77	2,69	2,58	2,50
	Mar.	3,79	-	3,46	3,88	4,05					

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

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

		Lending rates <sup>1, 2</sup>					Deposit rates <sup>1, 3</sup>		
		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
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	9,79	5,53
Feb.	0,73	2,78	2,79	3,95	2,15	2,91	6,16	5,75	9,83	5,61
Mar.	0,73	2,84	2,84	4,07	2,15	3,00	6,09	5,85	9,78	5,74
Apr.	0,74	2,89	2,90	4,13	2,14	3,07	6,17	5,95	9,83	5,81
May	0,74	2,91	2,92	4,15	2,15	3,08	6,20	5,98	9,87	5,82
June	0,74	2,93	2,94	4,09	2,13	3,08	6,18	5,92	9,83	5,77
July	0,74	2,89	2,90	4,02	2,13	3,02	6,16	5,79	9,78	5,68
Aug.	0,73	2,84	2,85	3,81	2,12	2,94	6,15	5,71	9,79	5,53
Sep.	0,73	2,77	2,77	3,64	2,13	2,73	6,12	5,61	9,85	5,38
Oct.	0,72	2,74	2,74	3,58	2,11	2,63	6,13	5,54	9,72	5,26
Nov.	0,71	2,70	2,69	3,53	2,11	2,55	6,10	5,50	9,70	5,21
Dec	0,68	2,51	2,51	3,45	2,05	2,41	5,98	5,34	9,58	5,09
2003 Jan	0,63	2,43	2,42	3,29	2,04	2,34	5,97	5,31	9,61	4,96

\* 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 <sup>1</sup>	9 2,75	6 2,75	6 2,50	3 2,50	8	5	10		4	2	6	4
Bank of England <sup>2</sup>	9 4,00	6 3,75	6 3,75	10 3,75	8	5	10	7	4	9	6	4
Federal Reserve System <sup>3</sup>	28/29 1,25		18 1,25		6	24/25		12	16	28		9
Central Bank of Cyprus <sup>4</sup>	24 5,00		7 5,00	4 4,50	8	13	11		5	17	28	

(1) Minimum bid rate on the main refinancing operations

(2) Repo Rate

(3) Federal Funds Rate

(4) Interest rate on the marginal lending facility

**Table 7**

**Percentage change in the Consumer Price Index by economic origin (%)**  
**2001-2003**

	Yearly		Quarterly			Mar. 2002/ 2001	Feb. 2003/ 2002	Mar. 2003/ 2002	Jan.-Mar. 2002/ 2001	Jan.-Feb. 2003/ 2002	Jan.-Mar. 2003/ 2002	Weights 1998=100
	2001	2002	2002 III	2002 IV	2003 I							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>3,50</b>	<b>2,77</b>	<b>4,84</b>	<b>2,36</b>	<b>4,44</b>	<b>5,97</b>	<b>2,58</b>	<b>4,27</b>	<b>4,84</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>1,34</b>	<b>4,35</b>	<b>6,26</b>	<b>5,15</b>	<b>9,34</b>	<b>2,73</b>	<b>8,57</b>	<b>12,57</b>	<b>3,39</b>	<b>7,72</b>	<b>9,34</b>	<b>36,69</b>
A.1 Agricultural	4,50	1,79	-1,98	-8,41	-0,17	12,78	-0,15	9,03	16,74	-4,54	-0,17	7,93
A.2 Industrial	0,78	5,62	9,02	9,54	12,19	0,92	11,23	13,40	0,93	11,56	12,19	27,24
A.2.1 industrial non-petroleum	0,10	4,55	6,49	6,93	9,11	1,91	9,32	8,87	1,60	9,24	9,11	22,91
A.2.2 fuel and gas	3,99	10,57	20,42	21,87	26,59	-3,60	20,17	35,45	-2,11	22,26	26,59	4,33
A.3 Electricity	-3,23	-2,26	2,58	6,47	13,89	-10,75	12,01	16,90	-13,28	12,40	13,89	1,52
<b>B IMPORTED GOODS</b>	<b>0,47</b>	<b>-1,69</b>	<b>-3,23</b>	<b>-3,50</b>	<b>-3,12</b>	<b>-0,01</b>	<b>-3,39</b>	<b>-3,14</b>	<b>0,07</b>	<b>-3,10</b>	<b>-3,12</b>	<b>22,20</b>
B.1 Motor Vehicles	0,55	-5,07	-10,10	-10,17	-11,40	0,17	-11,78	-11,64	0,35	-11,28	-11,40	9,43
B.2 Other Imported	0,41	0,85	1,96	1,41	3,23	-0,15	3,07	3,28	-0,14	3,20	3,23	12,77
<b>C SERVICES</b>	<b>3,35</b>	<b>3,67</b>	<b>4,40</b>	<b>3,73</b>	<b>4,72</b>	<b>3,26</b>	<b>4,62</b>	<b>4,56</b>	<b>3,15</b>	<b>4,81</b>	<b>4,72</b>	<b>41,11</b>
<b>Euro area inflation</b>	<b>2,5</b>		<b>2,1</b>	<b>2,3</b>		<b>2,5</b>	<b>2,3</b>		<b>2,6</b>	<b>2,3</b>		

**Table 8**

**Weighted contribution to the total change in the Consumer Price Index by economic origin (%)**  
**2001-2003**

	Yearly		Quarterly			Mar. 2002/ 2001	Feb. 2003/ 2002	Mar. 2003/ 2002	Jan.-Mar. 2002/ 2001	Jan.-Feb. 2003/ 2002	Jan.-Mar. 2003/ 2002	Weights 1998=100
	2001	2002	2002 III	2002 IV	2003 I							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>3,50</b>	<b>2,77</b>	<b>4,84</b>	<b>2,36</b>	<b>4,44</b>	<b>5,97</b>	<b>2,58</b>	<b>4,27</b>	<b>4,84</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>0,51</b>	<b>1,64</b>	<b>2,34</b>	<b>1,97</b>	<b>3,50</b>	<b>1,02</b>	<b>3,20</b>	<b>4,71</b>	<b>1,26</b>	<b>2,89</b>	<b>3,50</b>	<b>36,69</b>
A.1 Agricultural	0,36	0,15	-0,16	-0,76	-0,01	0,99	-0,01	0,77	1,31	-0,41	-0,01	7,93
A.2 Industrial	0,21	1,53	2,45	2,60	3,25	0,25	2,98	3,62	0,25	3,07	3,25	27,24
A.2.1 industrial non-petroleum	0,02	1,02	1,44	1,56	2,01	0,43	2,04	1,99	0,36	2,01	2,01	22,91
A.2.2 fuel and gas	0,19	0,51	1,00	1,04	1,25	-0,18	0,94	1,63	-0,10	1,05	1,25	4,33
A.3 Electricity	-0,07	-0,05	0,05	0,13	0,26	-0,23	0,23	0,32	-0,30	0,24	0,26	1,52
<b>B IMPORTED GOODS</b>	<b>0,10</b>	<b>-0,35</b>	<b>-0,68</b>	<b>-0,73</b>	<b>-0,64</b>	<b>0,00</b>	<b>-0,70</b>	<b>-0,65</b>	<b>0,01</b>	<b>-0,64</b>	<b>-0,64</b>	<b>22,20</b>
B.1 Motor Vehicles	0,05	-0,46	-0,91	-0,89	-1,02	0,02	-1,06	-1,04	0,03	-1,01	-1,02	9,43
B.2 Other Imported	0,05	0,10	0,23	0,17	0,38	-0,02	0,36	0,39	-0,02	0,37	0,38	12,77
<b>C SERVICES</b>	<b>1,37</b>	<b>1,52</b>	<b>1,84</b>	<b>1,53</b>	<b>1,98</b>	<b>1,35</b>	<b>1,94</b>	<b>1,91</b>	<b>1,31</b>	<b>2,01</b>	<b>1,98</b>	<b>41,11</b>



**Table 9**

**Percentage change in the Consumer Price Index by category of goods and services (%)**  
**2001-2003**

	Yearly		Quarterly			Mar. 2002/ 2001	Feb. 2003/ 2002	Mar. 2003/ 2002	Jan.-Mar. 2002/ 2001	Jan.-Feb. 2003/ 2002	Jan.-Mar. 2003/ 2002	Weights 1998=100
	2001	2002	2002 III	2002 IV	2003 I							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>3,50</b>	<b>2,77</b>	<b>4,84</b>	<b>2,36</b>	<b>4,44</b>	<b>5,97</b>	<b>2,58</b>	<b>4,27</b>	<b>4,84</b>	<b>100,00</b>
Food & non-alcoholic beverages	4,09	4,58	3,87	0,48	4,06	8,08	4,15	7,83	9,31	2,21	4,06	18,20
Alcoholic beverages & tobacco	2,79	13,32	21,65	22,93	35,18	1,03	35,22	35,25	0,98	35,15	35,18	1,78
Clothing and footwear	-6,75	-3,46	-4,64	-2,21	0,96	-3,07	1,42	1,23	-3,06	0,81	0,96	8,22
Housing, water, electricity and gas	1,59	4,08	5,41	5,64	5,59	2,31	4,81	6,29	1,82	5,25	5,59	21,27
Furnishings, household equipment and supplies	0,15	0,81	3,42	2,04	5,40	-1,20	5,09	5,85	-1,21	5,17	5,40	7,08
Health	5,41	4,70	5,17	4,28	7,35	4,38	7,31	6,96	4,30	7,54	7,35	4,92
Transport	2,29	0,39	0,19	0,45	1,48	-0,21	0,09	2,95	0,25	0,75	1,48	17,42
Communication	1,73	-8,81	-6,70	-13,92	-10,64	-7,59	-11,01	-9,56	-7,13	-11,17	-10,64	1,79
Recreation & culture	-0,50	2,20	3,42	2,73	4,88	1,04	4,80	4,97	1,16	4,84	4,88	5,88
Education	4,60	5,71	6,29	4,46	4,49	5,79	4,49	4,49	6,35	4,49	4,49	2,33
Restaurants & hotels	6,00	3,97	4,65	4,75	6,54	3,29	6,58	6,31	3,30	6,65	6,54	6,07
Miscellaneous goods and services	3,97	5,49	7,69	7,35	7,44	3,42	7,17	7,00	3,03	7,66	7,44	5,04

**Table 10**

**Weighted contribution to the total change in the Consumer Price Index by category of goods and services (%)**  
**2001-2003**

	Yearly		Quarterly			Mar. 2002/ 2001	Feb. 2003/ 2002	Mar. 2003/ 2002	Jan.-Mar. 2002/ 2001	Jan.-Feb. 2003/ 2002	Jan.-Mar. 2003/ 2002	Weights 1998=100
	2001	2002	2002 III	2002 IV	2003 I							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>3,50</b>	<b>2,77</b>	<b>4,84</b>	<b>2,36</b>	<b>4,44</b>	<b>5,97</b>	<b>2,58</b>	<b>4,27</b>	<b>4,84</b>	<b>100,00</b>
Food & non-alcoholic beverages	0,75	0,86	0,72	0,09	0,79	1,48	0,81	1,51	1,70	0,43	0,79	18,20
Alcoholic beverages & tobacco	0,06	0,27	0,44	0,46	0,71	0,02	0,72	0,72	0,02	0,71	0,71	1,78
Clothing and footwear	-0,54	-0,25	-0,32	-0,17	0,06	-0,22	0,09	0,09	-0,21	0,05	0,06	8,22
Housing, water, electricity and gas	0,34	0,88	1,18	1,20	1,22	0,50	1,05	1,37	0,40	1,15	1,22	21,27
Furnishings, household equipment and supplies	0,01	0,05	0,23	0,14	0,35	-0,08	0,33	0,38	-0,08	0,33	0,35	7,08
Health	0,27	0,25	0,27	0,22	0,39	0,23	0,39	0,37	0,22	0,40	0,39	4,92
Transport	0,40	0,07	0,03	0,08	0,26	-0,04	0,02	0,51	0,04	0,13	0,26	17,42
Communication	0,03	-0,13	-0,10	-0,19	-0,14	-0,11	-0,15	-0,13	-0,11	-0,15	-0,14	1,79
Recreation & culture	-0,03	0,12	0,19	0,15	0,26	0,06	0,26	0,27	0,06	0,26	0,26	5,88
Education	0,11	0,14	0,16	0,11	0,11	0,14	0,11	0,11	0,16	0,11	0,11	2,33
Restaurants & hotels	0,38	0,26	0,31	0,31	0,43	0,21	0,43	0,41	0,22	0,44	0,43	6,07
Miscellaneous goods and services	0,20	0,28	0,40	0,37	0,39	0,18	0,37	0,36	0,16	0,40	0,39	5,04

**Table 11****Inward portfolio investment: Purchase of shares listed on the Cyprus Stock Exchange by non-residents<sup>1</sup>***(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-residents<sup>1</sup>***(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.*

