



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

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1. INTRODUCTION

The global economy, greatly affected by the developments since 11 September, is heading toward recession. Most economic analysts have revised downwards their projections for world growth in the current year as well as in 2002. Against the background of these developments several central banks, including the Central Bank of Cyprus, decided to further reduce official interest rates in November. Recent developments in Afghanistan have renewed hopes for an end to the war soon and together with a series of improved economic indicators for the US economy have generated reserved optimism for a probable economic recovery in mid-2002. The US Federal Reserve System (Fed) does not appear to share this optimism, considering that the balance between inflationary pressures and recession still points to the latter, and hence on 11 December reduced its key interest rate once again by 25 basis points. In contrast, the Bank of England and the European Central Bank at their meeting of December maintained their official interest rates unchanged.

In Cyprus the reductions in domestic interest rates had a dampening influence on foreign exchange inflows, which displayed a significant decline in October and November. Concurrently, the adverse global environment has started to negatively affect the Cypriot economy, as manifested in the substantial decrease of 19,7% in tourist arrivals in November 2001 in comparison with the corresponding month of the previous year. For the entire period January-November 2001 tourist arrivals displayed a significant slowdown in comparison with the corresponding period of 2000.

In the labour market, the unemployment rate, as a percentage of the economically active population,

increased to 3,5% in November 2001, compared with 3,3% in November 2000. For January-November the unemployment rate declined to 3,0%, from 3,4% in the corresponding period of the previous year.

Price developments are encouraging, as the inflation rate fell to 2,00% in November, compared with 2,71% in October of the current year and the significantly higher inflation rate of 3,76% recorded in November of the previous year. The decline in inflation in November was partly due to the slowdown in prices of domestic agricultural products. Electricity and fuel prices also registered a significant decrease, reflecting mainly the fall in international oil prices. In January-November 2001 the inflation rate was 1,94%, compared with 4,21% in the corresponding period of 2000.

The fiscal deficit registered a sizeable increase and reached £133,3 million in January-September 2001, compared with £69,1 million in the corresponding period of the previous year, reflecting mostly the slowdown in public revenue. For the whole year 2001 the fiscal deficit is expected to exceed 2,7% of GDP, which was registered in 2000, and reach about 3%.

For the remaining sectors of the economy available data refer to the period prior to September and indicate positive as well as negative developments. This mixed picture is especially evident in the secondary sector, where on the one hand manufacturing shows no clear sign of recovery, at least up to August of the current year, for which data are available, while on the other hand construction presents a significant improvement. In the primary sector and

particularly agriculture, a marked recovery has been observed, as agricultural production increased substantially in January-August 2001, after the sizeable decrease recorded in the corresponding period of 2000.

As regards international trade, total imports registered a substantial deceleration in August 2001 compared with the same month of 2000, after the large acceleration observed in July of the current year, mainly due to increases in imports of military equipment and fuels. For the entire period January-August 2001, total imports displayed a significant slowdown, rising by 9,3% compared with a growth rate of 27,4% in the corresponding period of the previous year. However, a slowdown was also observed in total exports in January-August 2001, which increased by 6,2% compared with 14,9% in the corresponding period of 2000. As a result of these developments, the crude trade deficit in January-August reached £1.298,6 million, compared with £1.175,8 million in the corresponding period of 2000.

Private consumption in July and August accelerated in comparison with the corresponding period of the previous year. The retail sales volume index, after the decrease of 3,1% in June of the current year, registered an increase of 15,1% in July and 13,1% in August, compared with 0,7% and 7,0% in the corresponding months of 2000. The observed increase in retail sales in July and August 2001 seems to be consistent with the relatively high rates of increase in imports for home consumption (excluding imports of military equipment and fuels) in the same months. It should be noted that for the entire period January-August 2001 retail sales displayed a small deceleration compared with the previous year.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International Economic Developments

Further slowdown in the global economy is expected in the second half of 2001. Most analysts, including analysts of the European Central Bank (ECB), OECD and Lehman Brothers, have revised downwards the expected world growth rate in 2001. As regards 2002 most analysts expect weak economic activity with a growth rate around 1%. Recent developments in Afghanistan and a series of improved economic indicators raise reserved optimism that the US economy and in general the global economy will recover from recession in the second half of 2002.

Data for the **United States** show an increase in unemployment in October to 5,4%, up from 4,9% in August, with airlines, tourist agencies and hotels being hardest hit. Industrial production in October contracted at an annual rate of 6,4%, leading to a negative growth rate in GDP in the third quarter of the order of 1%. The International Monetary Fund announced a decrease in the projected US growth rate from 2,2% to 0,7%, a projection which takes into account the effects of the terrorist attacks of 11 September. If the projections for a negative growth rate in the fourth quarter materialise as well, then the US economy will formally be in recession.

Markets appear to give optimistic signals. Specifically, stock markets displayed increases in basic indices, with the Dow Jones index rising by 7,0% and the Nasdaq rising by 11,2% in November, in comparison with the previous month. In parallel, retail sales showed an unprecedented increase of 8,9% in October reflecting the increase

in car sales due to financing schemes with zero interest rate.

On the other side of the Atlantic, the economic outlook for the **Euro area** worsened, as portrayed in the results of the European Commission's Business and Consumer Survey, which recorded the worst economic assessment since 1997. The European Commission in its published report stated that it expects a "severe slowdown" of a greater duration than originally expected and announced a projected growth rate of 1,6% in 2001. In parallel, industrial production decreased by 0,16% in September, while inflation in October fell to 2,4%.

More analytically, in September annual retail sales in **Germany** fell by 2,1% while industrial production contracted by 2,6%. GDP in the third quarter decreased by 0,1%. In **France** retail sales fell by 1,2% and industrial production increased by 1,0%. In **Britain** industrial production fell by 3,0%, the largest fall since August 1997, while unemployment reached a new record level of 3,2%, compared with 3,1% in August.

In **Japan** unemployment reached 5,3% in September, the highest level since the 1950's. Industrial production contracted by 12,7% in the period January-September. The Bank of Japan announced that recession is expected to last until March 2003, not being able to do much to reverse developments with interest rates close to zero.

In view of the above developments, the OECD expects reduced output for the total of its member countries for the first time in the last twenty years. The ECB projects euro area GDP growth of 1,6% in 2001 and 1,5% in 2002, but no recession. Lehman Brothers revised down projected world growth rate to 1,0% in 2001 and 1,2% in 2002.

An important role in estimates of world growth rates is played by developments in international oil markets. In October the price of Brent crude oil registered a large decrease and reached its lowest level in the last two years, when OPEC retracted a reduction in production since Russia and other

petroleum producing countries refused to participate. Specifically the average oil price in October was around USD20 in October and USD19 in November.

Table 1

Main Economic Indicators

% change

	GDP				Industrial Production <i>Annual</i>	Retail Sales <i>annual</i>	Unemployment % Rate	Inflation (CPI) <i>September</i>
	<i>Quarterly</i> Q2	<i>Annual</i> Q2	<i>Quarterly</i> Q3	<i>Annual</i> Q3				
Britain	3,6	2,3	2,1	2,1	- 3,0 (Sep.)	5,7 (Oct.)	5,1 (Sep.)	1,7
Japan	-2,9	-0,7	-2,9	-0,7	-12,7 (Sep.)	-2,5 (Sep.)	5,3 (Sep.)	-0,8
USA	0,3	1,2	-0,4	0,8	- 5,8 (Sep.)	0,9 (Sep.)	5,4 (Oct.)	2,6
Euro area	0,2	1,7	0,4	1,7	- 0,6 (Sep.)	1,8 (Aug.)	8,3 (Oct.)	2,5

¹ Source: The Economist

Table 2

GDP Forecast

annual % change

	<i>Annual</i>	The Economist Poll ¹ GDP Forecast		Lehman Brothers ² Weekly Outlook - GDP	
	2000	17 - 23 November		17 - 23 November	
		2001	2002	2001	2002
Britain	2,2	2,2	1,8	2,2	1,6
Japan	1,6	-0,6	-0,5	-1,2	-0,5
USA	4,1	1,0	0,8	1,0	0,3
Euro area	3,4	1,5	1,2	1,5	1,5
World	3,9			1,0	1,2

¹ Source: The Economist, 8-14 December 2001

² Lehman Brothers Global Weekly Economic Monitor, 30 November 2001

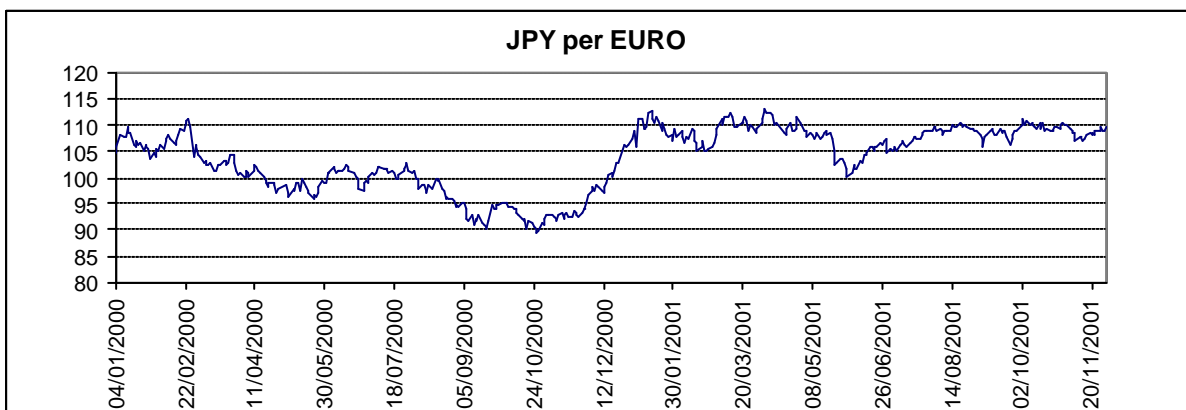
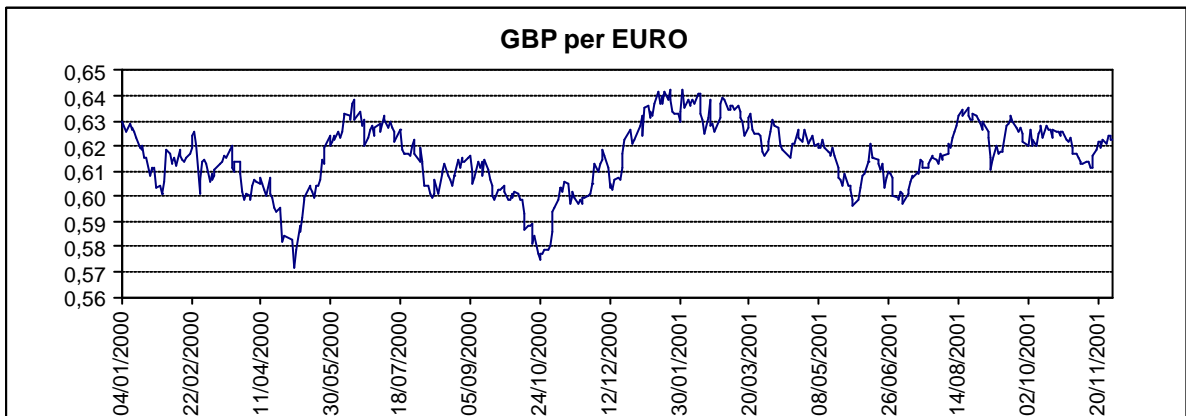
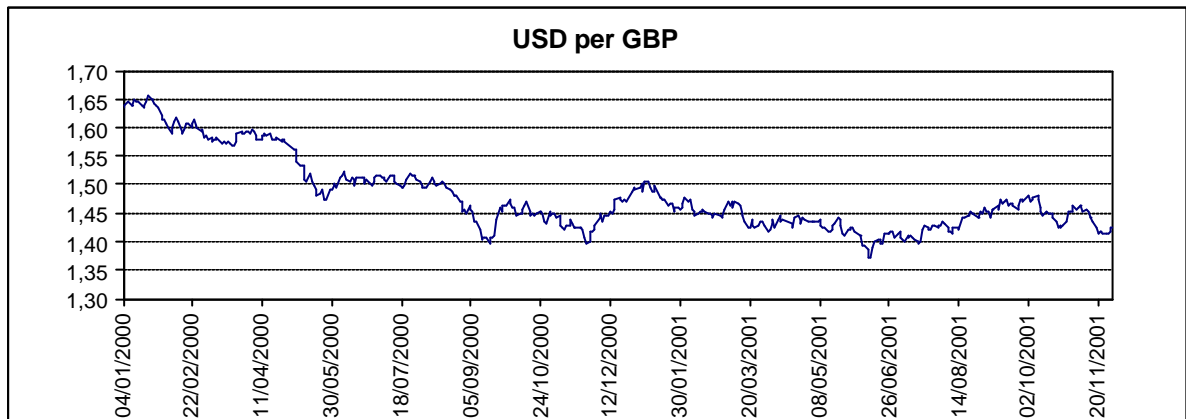
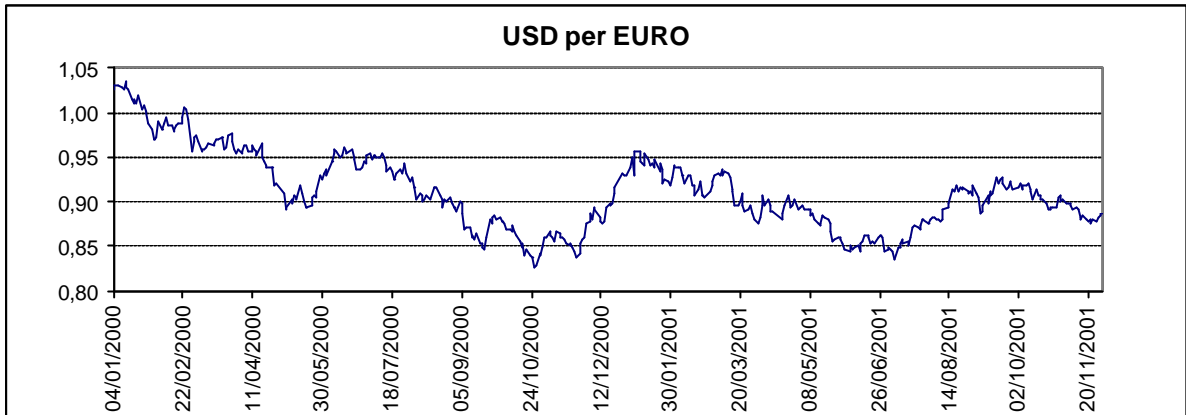
International Currencies

In November the US dollar continued its marginally upward but also stabilising course against the euro, reaching USD0,89 per euro at the end of the month, compared with USD0,90 per euro on the first day of the month, having previously fluctuated around USD0,88 per euro. The course of the US dollar against the pound sterling was similar but slightly stronger in the same period. This course of the US dollar partly reflects an emerging reserved optimism for a rapid recovery of the US economy after developments in Afghanistan, where hopes for an end to the war in this country appeared. Various relevant indicators of the overall outlook of the US economy continue to show mixed signs, which however now converge to a more positive assessment than previously, namely that the existing recession will be overcome perhaps sooner than the second half of 2002. These developments favour the US currency, which has also benefited from the continuing approval and confidence of international markets in the macroeconomic policy responses by the US authorities.

An overview of international exchange rate fluctuations in the recent past up to 30 November 2001 is presented in chart 1.

Chart 1

Major international currencies 4/1/2000 - 30/11/2001



The following table presents the forecasts of a large number of internationally recognised financial institutions for the course of international exchange rates in the near future, as recorded in a survey by Reuters. As table 3 shows, markets anticipate a marginal

strengthening of the euro against the US dollar and the pound sterling by the end of 2002, while the yen is expected to weaken against all currencies, as a result of the serious problems still afflicting the Japanese economy.

Table 3**International market expectations for exchange rates****Monthly poll by Reuters***(November 2001)*

Currency	Statistical data	Exchange rate forecasts			
		1 month	3 months	6 months	12 months
USD per EUR	Mean	0,90	0,91	0,93	0,93
	Minimum	0,85	0,85	0,85	0,77
	Maximum	0,94	0,97	0,99	1,05
	Number of forecasts	49	48	48	48
USD per GBP	Mean	1,46	1,46	1,46	1,45
	Minimum	1,42	1,48	1,37	1,24
	Maximum	1,57	1,51	1,54	1,57
	Number of forecasts	47	46	46	46
JPY per USD	Mean	122	123	124	125
	Minimum	118	118	115	115
	Maximum	127	128	135	140
	Number of forecasts	46	45	45	45
GBP per EUR	Mean	0,62	0,63	0,63	0,64
	Minimum	0,57	0,59	0,58	0,59
	Maximum	0,64	0,66	0,69	0,74

Source: Reuters. The poll was taken in the period 7-9 November 2001.

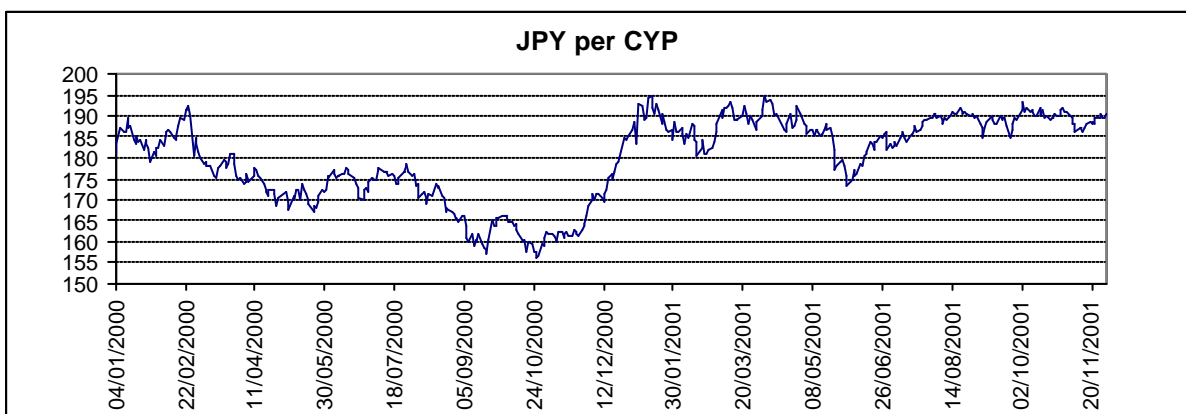
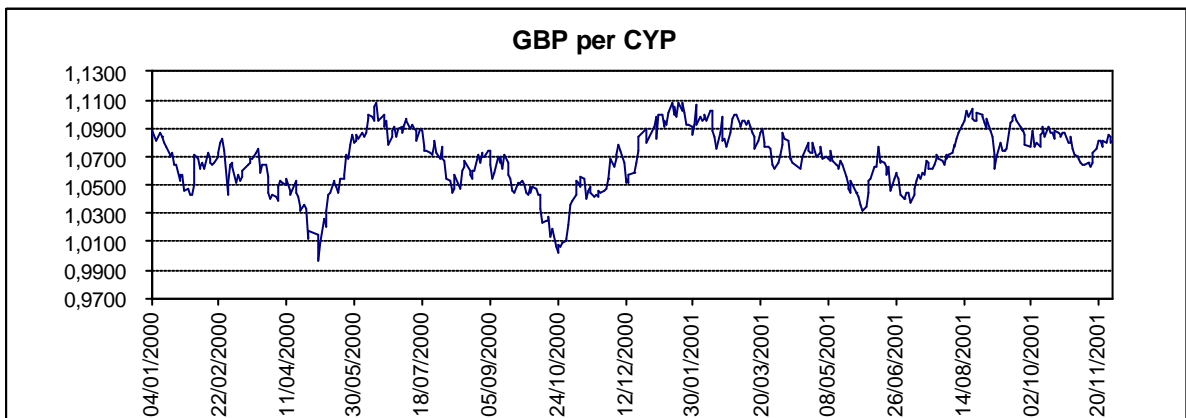
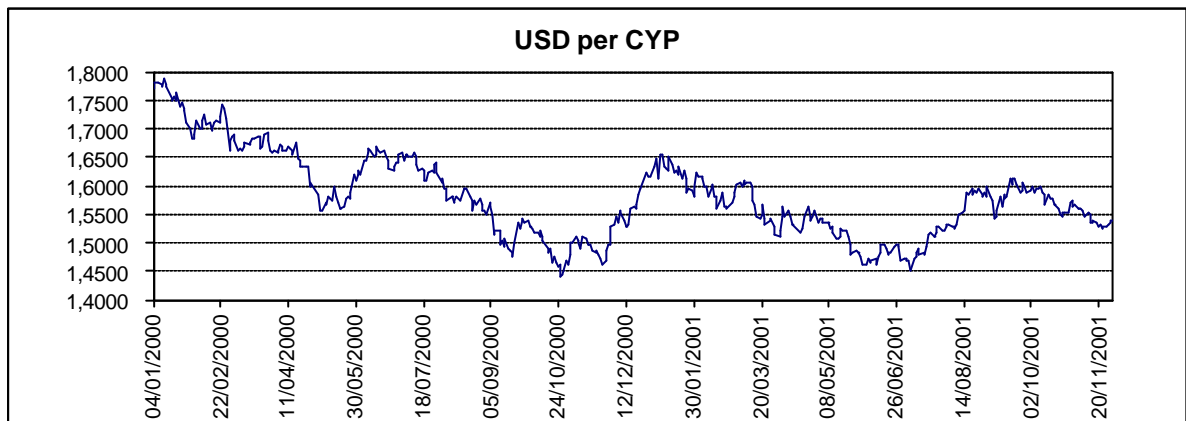
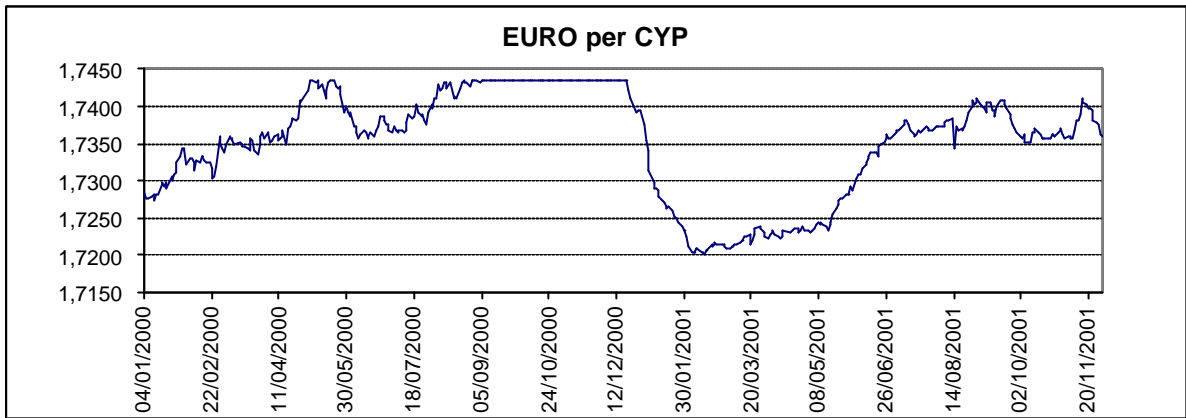
Cyprus pound

The Cyprus pound registered marginal movements against the euro in November, reaching EUR1,7414 on 30/11/2001 (average fixing price) compared with EUR1,7408 on the first day of the month. Reflecting recent fluctuations in international currencies, the Cyprus pound

weakened somewhat against the US dollar, while it strengthened marginally against the pound sterling. Chart 2 presents an overview of recent fluctuations in the exchange rates of the Cyprus pound vis-à-vis the euro, the US dollar, the sterling and the yen.

Chart 2

**Cyprus Pound against major international currencies
4/1/2000 - 30/11/2001**



Turning to the domestic foreign exchange market, the results of the fixing sessions held until 30/11/2001, based on transaction date, are summarised in table 4. As this table shows, the Central Bank of Cyprus absorbed foreign exchange from the banking system amounting to £501,78 million in the sessions since the beginning of the year. Overall, including interventions and

other operations in the interbank market (specifically, execution of forward foreign exchange contracts), between 2/1/2001 and 30/11/2001 the Central Bank absorbed from the banking system foreign exchange equivalent to £662,9 million. Daily purchases and sales of foreign exchange by the Central Bank from domestic banks since 1999 are shown in chart 3.

Table 4

Summary of results of fixing sessions							
January – November 2001							
Month	Average fixing exchange rate Foreign currency per CYP (last day of period)			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	Sterling pound	
January	1,7278	1,6060	1,0983	-169,80	-9,55	-7,00	-110,17
February	1,7264	1,5916	1,1016	49,25	-0,20	1,20	29,51
March	1,7275	1,5209	1,0670	130,40	38,00	-0,10	99,37
April	1,7283	1,5369	1,0713	81,25	-5,30	0,00	43,59
May	1,7338	1,4716	1,0382	233,25	5,30	0,00	138,17
June	1,7413	1,4743	1,0490	250,00	-1,00	0,00	143,20
July	1,7425	1,5265	1,0712	148,25	0,00	0,02	85,11
August	1,7455	1,5989	1,0962	39,45	0,00	0,00	22,58
September	1,7411	1,5968	1,0852	0,75	9,50	5,30	11,28
October	1,7414	1,5766	1,0833	15,90	15,50	10,28	28,46
November	1,7414	1,5464	1,0861	-14,65	16,35	9,20	10,70
Total				764,05	68,60	18,90	501,78

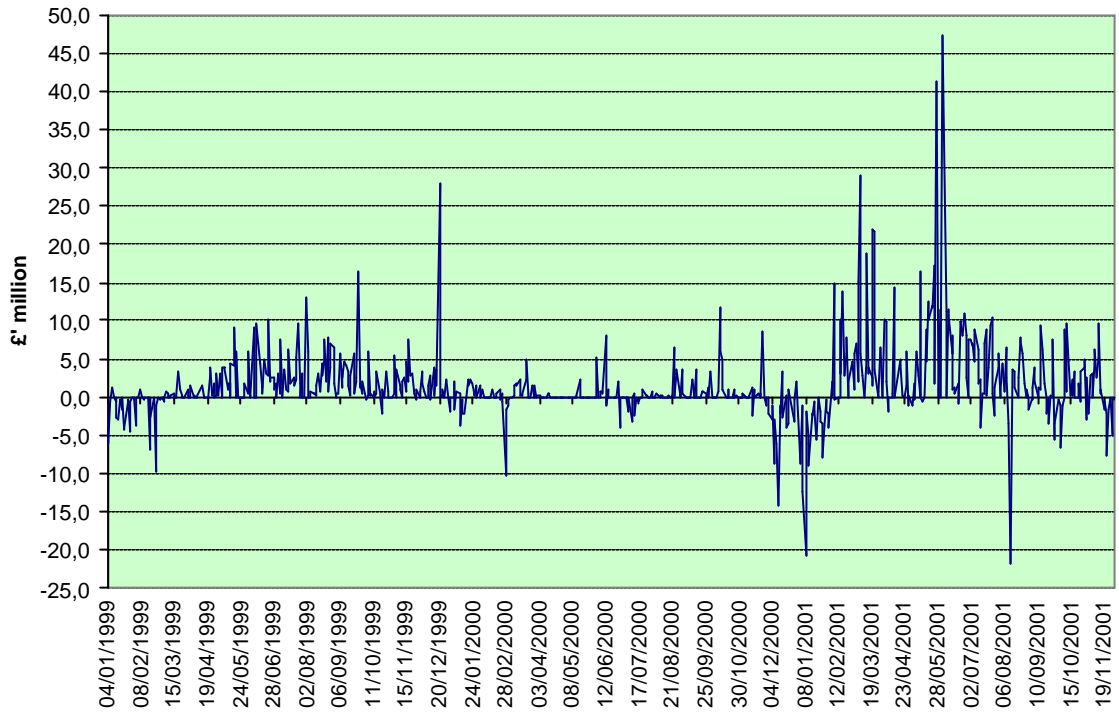
As regards the most recent developments, in November the Central Bank absorbed from the banking system, through fixing, foreign exchange equivalent to £10,70 million. In the same period the Central Bank purchased additional foreign exchange equivalent to £5,72 million through the execution of forward foreign exchange contracts.

The decreased inflow of foreign exchange in November is worth noting; it is attributed to the

continuing decline of foreign currency borrowing by Cypriots as well as to seasonal factors.

Chart 3

**DAILY PURCHASES/SALES OF FOREIGN EXCHANGE
BY THE CENTRAL BANK FROM THE DOMESTIC BANKS
4/1/1999 - 30/11/2001**



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

2.2 MONETARY DEVELOPMENTS*

Against the background of international developments and considering that the global economy is sliding to recession, the Central Bank decided on 2 November to further reduce official interest rates by 50 basis points. The official interest rate reduction was promptly transmitted to the money market interest rates, while in October and November a slowdown in foreign exchange inflows was observed. The Central Bank, in the context of its anti-inflationary policy, continued to intervene in the money market in October and November, through deposit collection auctions (depos)¹, absorbing part of the surplus liquidity.

* Monetary figures refer to all banks, i.e. they also include the Development Bank, the Mortgage Bank of Cyprus Ltd. and the Housing Finance Corporation.

¹The difference between reverse repos and depos is that in the latter no purchase or sale of government securities takes place while their duration may exceed 15 days.

Chart 4

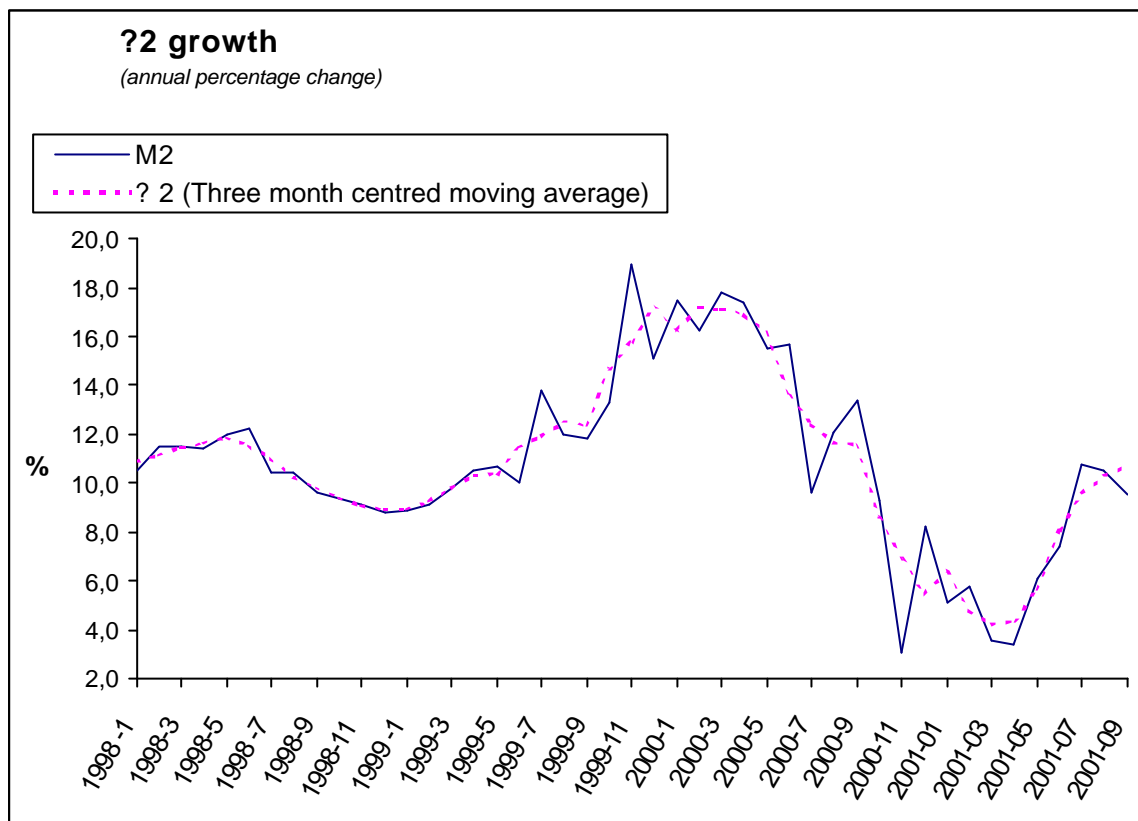


Table 5

Annual percentage change (%)	1997	1998	1999	2000	2000 Oct.	2001 Sep.	2001 Oct.
M1 (Primary liquidity)	8,2	3,6	41,9	3,8	11,6	-5,3	-1,1
M2 (Total liquidity)	10,7	8,8	15,1	8,2	9,3	9,5	12,0
Claims on private sector	12,2	14,3	13,9	14,9	15,6	14,1	14,5

Total liquidity registered an acceleration in October, reaching a rate of expansion of 12,0% compared with 9,5% in the previous month, while in October 2000 an increase of 9,3% was recorded. The three-month moving average of annual growth rates covering the period from August to October registered a smaller acceleration, reaching 10,7% compared with 10,3% in the quarter July-September.

The acceleration in the growth of broad money supply in October in comparison with the previous month stemmed mainly from the increase in net foreign assets and to a lesser extent from the increase in claims on the private sector and unclassified items. Specifically, in the 12 months up to October net foreign assets increased by £248,3 million, compared with a rise of £119,4 million in the 12-month period ending in

September. In the same period, credit to the private sector increased by £899,0 million, compared with an increase of £882,5 million in the 12-month period ending in September.

Claims on the private sector, as aforementioned, exerted an expansionary effect on broad money supply. Specifically, in terms of annual growth rates, claims on the private sector showed a small acceleration compared with the previous month, with a growth rate of 14,5%, compared with 14,1% in September and 15,6% in October of the previous year. According to the three-month moving average (box 1) credit expansion was 14,3% in August-October, compared with 14,6% in July-September. Annualised seasonally adjusted credit expansion in the first ten months reached 15,3%, compared with 15,8% in the corresponding period of the previous year. In absolute terms, bank financing of the private sector in the period January-October increased by £589,5 million and based on the monthly distribution method (box 1) exceeded the reference value by about £226 million in October, compared with a difference of about £311 million in September.

Foreign currency lending declined further in October², reaching £10,8 million compared with £26,4 million in September. However, the proportion of credit in foreign currency to total credit rose to 9,9% in October from 9,7% in the previous month. The decline in foreign currency lending in comparison with the months February to September appeared to continue in November, according to data available up to 23 November, which show foreign currency lending amounting to £16,7 million.

² It is clarified that these figures include only foreign currency loans granted by all domestic banks. Loans

The euro is the dominant choice of borrowers according to data on long-term foreign currency loans for January-September, which show that 83% of foreign currency loans granted were denominated in this currency. According to the same data, over 50% of foreign currency loans were used for re-financing, while 41% of such loans was distributed equally to construction in Cyprus and acquisition of fixed assets³.

Credit expansion, according to preliminary data for the period from 1 January to 23 November, increased to £631,3 million, compared with £569,2 million in the corresponding period of the previous year, while the amount of foreign currency loans outstanding at the end of this period reached £727,1 million. The annualised rate of growth in loans to the private sector was 10,8%, compared with 11,2% in the previous year⁴.

granted by foreign banks to Cypriots, according to data reported for long-term loans, was at a very low level.

³ Re-financing refers to repayment of existing loans in Cyprus pounds as well as conversion of existing foreign currency loans to a different currency.

⁴ Corresponding growth rates in previous years were 13,5%, 9,3%, and 7,2% in 1999, 1998, and 1997, respectively. These figures are not seasonally adjusted.

Table 6

Factors Affecting Total Liquidity - All Banks (£ thousand)				
	Change			
	October	October	January-October	
	2000	2001	2000	2001
Foreign Assets (Net)	-47.770	81.163	-62.573	183.792
Claims on Private Sector	-64.492	-48.023	534.570	589.502
Claims on Public Sector	-1.818	-38.738	-43.562	76.119
Unclassified Items	-13.374	17.248	-198.106	-368.832
Total Liquidity (? 2)	-127.454	11.650	230.329	480.581
Primary Liquidity (? 1) (Money Supply)	-77.389	-32.241	-52.774	-103.054
Currency in circulation	-11.788	-15.872	-6.711	-2.743
Demand Deposits	-65.601	-16.369	-46.063	-100.311
Secondary Liquidity (Quasi-Money)	-50.065	43.891	283.103	583.635

Table 7**Claims on Private Sector**

Change – 2001	Jan.	Mar.	June	Aug.	Sep.	Oct.
Foreign currency loans to residents (£ million)	9,2	55,4	42,4	57,9	26,4	10,8
Claims on private sector (£ million)	59,7	135,7	205,3	-11,9	99,5	-48,0

	1997	1998	1999	2000	2001 (Sep.)	2001 (Oct.)
Foreign currency loans to residents (£ million)	158,7	246,0	355,2	373,5	694,1	705,0
Claims on private sector (£ million)	4358,4	4982,7	5673,5	6517,5	7155,0	7107,0
%	3,6	4,9	6,3	5,7	9,7	9,9

Box 1**Credit expansion monitoring**

In accordance with the Financial Programme the reference value for credit expansion in 2001 was set at 11% for the whole year. Attainment of the reference value implies that credit as a percentage of GDP will rise to 132% from 119% in 2000*.

Credit as a percentage of GDP					
	1997	1998	1999	2000	2001
Credit/GDP	100%	106%	113%	119%	132%

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

(1) Annualised growth rate

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

For example, credit expansion in absolute terms from end-December 2000 to end-October 2001 was £589,5 million. This absolute change converted to an annualised growth rate seasonally adjusted gives:

Annualised growth rate (seasonally adjusted**)	Reference value
15,3%	11%

(2) 12-month growth rate

The reference value of 11% was specified as the rate of increase in credit from December to December. Thus it would be reasonable to assume that each month compared with the corresponding month of the previous year should present a rate of increase less than or equal to the reference value, so that credit expansion at the end of the year remains within the specified limits. On the basis of this method the 12-month rate of growth in credit to the private sector in October is:

* If loans granted by the co-operative credit institutions are included, total credit as a percentage of GDP increases to 138,7% in 1997, 145,0% in 1998, 154,6% in 1999 and 158,1% in 2000.

	12-month	Reference value
	14,5%	11,0%
Moving average	14,3%	

This method presents the problem of base effect, i.e. data may be misleading if the base month for some reason was unusually high or low, as was October 2000 in this case. To alleviate the problem, the moving average method should also be applied. The three-month moving average presents a more accurate picture of credit expansion in the period August-October, indicating an increase of 14,3% .

(3) Monthly distribution method

The Central Bank has estimated that credit could expand by up to £717 million and reach £7234 million at the end of 2001. This amount (reference value) may be distributed in the months of 2001 in accordance with the seasonal pattern of previous years. Monitoring may be effected through the following table, where the first row gives the distribution of credit in accordance with the reference value and the second row gives the actual credit to date. As the table shows, credit expansion has exceeded the reference value.

Table of bank financing (£ million)												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Reference value	6531	6595	6682	6701	6725	6796	6812	6786	6844	6881	6918	7234
Actual	6577,1	6636,5	6772,2	6809,0	6869,3	7074,5	7067,3	7055,5	7155,0	7107,0		

* Credit expansion includes all banks.

** The data were seasonally adjusted by the X11 method including a 15-year period. Because the seasonal pattern of banks may have changed during the years, the proportion of credit granted each month in the last 6 years was also taken into account.

Money market

As in the case of the previous interest rate cuts, the reduction of official interest rates on 2 November by 50 basis points was promptly transmitted to money market interest rates, with the average interbank rate decreasing to 3,5% in November, compared with 3,7% in October and 3,97% in September. There was also a prompt effect on the average interest rate on deposits, which decreased to 3,83% in the auction of 6 November, from 4,18% in the auction of 23 October. There was also a dampening influence on foreign exchange flows, as inflows of £16,4 million were registered in November, compared with inflows of £33,5 million in October. It is worth noting that while up to mid-November inflows of foreign exchange were observed, there has been a reversal since then and net outflows have been recorded.

The Central Bank, aiming to maintain interest rates consistent with its anti-inflationary policy, intervened in the money market through auctions. Specifically, in two auctions in October the Central Bank absorbed liquidity amounting to £233,0 million at an average interest rate of 4,08%, while in an equal number of auctions in November liquidity amounting to £240,0 million was absorbed at an average interest rate of 3,88%. Excess liquidity in October was limited by net sales of government securities of the order of £33,2 million, while in November only £0,1 million of bank liquidity was absorbed.

The interest rate reduction also had a downward influence on government security yields, according to the bids submitted in auctions. However, the non-acceptance of bids by the government did not allow the formulation of

specific yields. In the auction of one-year treasury bill on 12 September, in which bids were accepted, the average interest rate decreased to 5,50% from 6,10% in the auction of 8 August. As regards three-month treasury bills, in eleven consecutive auctions since 20 June, the government did not accept any bids, considering the bid interest rate as high.

In the only two auctions of long-term securities of two-year and five-year maturity in which bids were accepted after the latest interest rate reduction, the yields of these securities declined substantially. Specifically, in the auction of 11 December the average two-year and five-year bond yields were 4,70% and 5,04%, respectively, compared with 5,20% and 5,70% in the auction of 26 October. Concerning ten-year bonds no offer has been accepted since 30 July, while in 26 October fifteen-year bonds were auctioned for the first time, for a value of £4,1 million at a yield of 6,47%.

The divergence of long-term nominal interest rates from corresponding European rates remained stable in September at 256 basis points. In contrast, the differential between real European interest rates and corresponding domestic interest rates widened further due to the de-escalation of domestic inflation and reached 279 basis points in September, compared with a differential of 232 basis points in July (table 9).

International and Domestic Interest Rates

With regard to international interest rates, facing world recession several central banks reduced

their key interest rates. Specifically, in November the Fed, the ECB and the Bank of England reduced their official interest rates by 0,5 percentage point (table 10). As a result of the reduction of official interest rates in Cyprus by 0,5 percentage point in November together with the equivalent reduction of official interest rates by the ECB, the width of the gap between official

interest rates remained at 125 basis points for the marginal lending facility and 25 basis points for the overnight deposit facility. At their meeting in December the ECB and the Bank of England maintained interest rates unchanged, while the Fed further reduced interest rates by 25 basis points.

Table 8

Interest rates (% per annum)	1997	1998	1999	2000	2000 Oct.	2001 Sep.	2001 Oct.
Interbank (1 day)	4,82	4,83	5,15	5,96	6,40	3,97	3,71
Repos	4,70	4,68	5,45	5,97			
Reverse Repos/Depos	4,42			4,44		4,60	4,08
Treasury bills (13 weeks)	5,39	5,50	5,54	5,75			
Treasury bills (52 weeks)		5,99	6,00	6,21		5,50	
Development stocks (2 years)				6,55			5,20
Development stocks (5 years)	6,80	6,95	7,27	7,45	7,53		5,70
Development stocks (10 years)	6,93	7,22	7,36	7,55	7,61		
Development stocks (15 years)							6,47

Note: Simple average of the weighted averages for the period

Table 9

Inflation and Interest Rates of Europe and Cyprus			
	Harmonised Indices of Consumer Prices	Long-term Interest Rates	Long-term Real Interest Rates
	Sept. - Latest month (12 month average)	Sept. - Latest month (12 month average)	
Belgium	2,80	5,30	2,50
Denmark	2,40	5,20	2,80
Germany	2,60	4,90	2,30
Greece	3,80	5,50	1,70
Spain	4,00	5,30	1,30
France	1,90	5,10	3,20
Ireland	4,40	5,20	0,80
Italy	2,80	5,30	2,50
Luxembourg	3,20	5,20	2,00
Netherlands	4,60	5,10	0,50
Austria	2,40	5,20	2,80
Portugal	4,30	5,30	1,00
Finland	2,90	5,20	2,30
Sweden	2,30	5,10	2,80
United Kingdom	1,20	5,10	3,90
Euro zone	2,80	5,20	2,40
EU -15	2,50	5,10	2,60
Cyprus	2,27	7,66	5,39

Cyprus Stock Exchange

The Cyprus Stock Exchange (CSE) General Index registered an increase in October, which was however accompanied with a lower traded volume in comparison with September. The increase in the General Index indicated an end of the downward trend of share prices recorded since the beginning of the year, with the exception of a rise in April. Specifically, on the last day of October the CSE General Price Index stood at 119,51 points, after having reached a maximum of 122,71 points during the month. On

a sectoral level, all particular indices, except those of information technology and fish culture, registered an increase. The average daily volume decreased to £3,9 million, compared with £4,8 million in the previous month, and the average daily number of transactions also decreased to 4143 from 4766. The shares with the largest proportion of the monthly traded volume were the shares of the Bank of Cyprus and the Popular Bank, which accounted for 15,01% and 10,10% of the monthly volume, respectively.

Table 10

OFFICIAL INTEREST RATES

European Central Bank

<i>(November 8, 2001)</i>	%	?*
Minimum bid rate on the main refinancing operations	3,25	-0,50
Interest rate on the marginal lending facility	4,25	-0,50
Interest rate on the deposit facility	2,25	-0,50

Bank of England

<i>(November 8, 2001)</i>	%	% ?*
Repo Rate	4,00	-0,50

Federal Reserve System

<i>(November 6, 2001)</i>	%	% ?*
Federal Funds Rate	2,00	-0,50
Discount Rate	1,50	-0,50

Central Bank of Cyprus

<i>(November 2, 2001)</i>	%	% ?*
Minimum bid rate on the main refinancing operations	3,50	-0,50
Interest rate on the marginal lending facility	5,50	-0,50
Interest rate on the deposit facility	2,50	-0,50

* Change from the previous decision.

Table 11

FACTORS AFFECTING LIQUIDITY

(£ million, period averages of daily positions)

PERIOD MONTHLY	LIQUIDITY - PROVIDING FACTORS					LIQUIDITY - ABSORBING FACTORS						CREDIT INSTITU- TIONS CURRENT ACCOUNTS	BASE MONEY	
	NET ASSETS IN GOLD AND FOREIGN CURRENCY	MONETARY POLICY OPERATIONS					DEPOSIT FACILITY	OTHER LIQUIDITY - ABSORBING OPERATIONS	REV- REPOS	CURRENCY IN CIRCU- LATION	CENTRAL GOVERN. DEPOSITS (NET)			OTHER FACTORS (NET)
		MAIN REFINANCING OPERATIONS	LONG TERM REFINANCING OPERATIONS	MARGINAL LENDING FACILITY	OTHER LIQUIDITY - PROVIDING OPERATIONS	ADDITIONAL & SPECIAL & S.M.E. DEPOSITS								
		NFA	REPOS	LOMBARD	SWAP	OVERNIGHT								
1	2	3	4	5	6	7	8	9	10	11	12	13		
Jan-00	1.090,9	0,0	0,0	0,0	0,0	88,8	0,0	0,0	333,3	-41,9	269,3	441,4	774,7	
Feb-00	1.119,4	0,0	0,0	1,6	0,1	40,6	2,3	14,5	313,6	-27,3	347,0	430,4	746,3	
Mar-00	1.122,7	57,5	0,0	7,6	4,3	3,2	5,3	0,0	315,0	68,8	362,9	436,8	757,2	
Apr-00	1.146,1	60,9	0,0	0,8	4,5	8,6	2,4	0,0	331,1	-6,1	433,5	442,9	776,4	
May-00	1.151,5	21,8	0,0	9,6	8,7	0,2	0,2	0,0	349,0	-53,2	452,5	442,8	792,0	
Jun-00	1.231,4	0,0	0,0	17,3	4,0	1,1	0,6	0,0	354,2	-44,6	492,7	448,8	803,5	
Jul-00	1.247,4	0,0	0,0	20,3	2,0	0,1	0,0	0,0	363,3	14,7	372,3	519,3	882,6	
Aug-00	1.233,8	0,0	0,0	11,5	1,8	0,5	1,7	0,0	365,1	50,6	320,8	508,5	875,3	
Sep-00	1.291,4	0,0	0,0	4,0	0,4	3,7	0,5	0,0	358,6	48,2	375,4	509,3	868,4	
Oct-00	1.208,7	0,0	0,0	18,6	4,3	0,3	0,0	0,0	354,7	-26,8	385,6	517,8	872,5	
Nov-00	1.267,1	0,0	0,0	6,3	1,8	3,7	0,0	0,0	341,5	9,8	410,4	509,8	851,2	
Dec-00	1.194,5	0,0	0,0	18,9	1,1	4,1	0,5	0,0	353,8	-22,4	371,5	507,0	861,2	
Jan-01	1.119,8	10,2	0,0	8,6	1,1	3,9	94,5	0,0	337,3	51,8	238,6	413,6	845,4	
Feb-01	1.133,9	49,5	0,0	0,5	1,2	12,5	93,9	0,0	326,6	-6,4	332,9	425,7	846,1	
Mar-01	1.226,5	16,3	0,0	5,0	1,0	2,9	93,0	0,0	328,7	40,0	358,0	426,9	848,6	
Apr-01	1.256,1	0,0	0,0	18,2	0,7	0,3	90,7	0,0	358,7	-14,1	389,7	449,6	899,4	
May-01	1.283,1	0,0	0,0	28,2	1,2	1,0	84,2	0,0	369,4	48,0	359,8	450,2	904,8	
Jun-01	1.512,9	0,0	0,0	0,0	0,0	57,9	79,7	26,4	382,7	117,9	409,3	439,1	959,3	
Jul-01	1.581,6	0,0	0,0	1,2	0,0	9,2	79,6	92,0	393,8	148,5	408,4	451,1	933,8	
Aug-01	1.526,2	0,0	0,0	0,5	0,0	39,3	79,6	58,6	393,9	114,1	383,7	457,2	970,2	
Sep-01	1.564,0	0,0	0,0	0,0	0,0	58,7	79,6	94,8	386,0	78,1	405,0	461,8	986,1	
Oct-01	1.615,5	0,0	0,0	2,3	0,1	19,4	79,6	104,7	384,3	47,3	518,0	464,5	947,8	

2.3 INFLATION

Prices increased by 2,00% in November 2001, compared with 2,71% in the previous month. As table 12 shows, the fall in the inflation rate was partly due to the deceleration in the prices of domestic agricultural products, while a small deceleration was also registered in the prices of

services. In addition, fuel and electricity prices registered a fall larger than that in the previous month. The average inflation rate in the period January-November 2001 was 1,94%, well below the inflation rate of 4,21% recorded in the corresponding period of the previous year.

Table 12

Percentage change in the consumer price index by economic origin					
		2000	November 2000/1999	October 2001/2000	November 2001/2000
	All items	4,14	3,76	2,71	2,00
?	Domestic goods	7,15	5,13	3,40	1,50
? .1	Agricultural	8,98	2,09	19,08	11,32
? .2	Industrial	4,47	4,90	-0,29	-0,64
?.2.1	<i>Industrial, non-oil</i>	2,50	1,98	1,22	0,78
?.2.2	<i>Fuel and gas</i>	14,86	19,63	-6,72	-6,73
? .3	Electricity and water	36,04	18,70	-4,61	-5,99
?	Imported goods	2,13	2,65	-0,11	0,09
? .1	Motor vehicles	3,78	3,73	-1,19	-0,50
? .2	Other imported goods	0,93	1,85	0,71	0,52
C	Services	2,52	3,05	3,55	3,47

As regards domestic goods, the most significant change in comparison with October 2001 was the aforementioned slowdown in agricultural product prices, which increased by 11,32% in November compared with a rise of 19,08% in the previous month. The large increase in agricultural product prices in October as well as in November is partly attributed to the destruction of vegetable crops due to unstable weather conditions, which resulted in a sharp rise in the prices of those products compared with the previous months of the year. The continuing fall in electricity as well as fuel prices is also worth noting. The decrease in fuel prices in Cyprus partly reflects international developments in oil markets. Indicatively, while

prices of oil (rent) in September-November 2000 averaged USD32 per barrel, in the same period of the current year prices averaged about USD22 per barrel.

Prices of imported goods increased marginally by 0,09% in November, compared with a decrease of 0,11% and an increase of 2,65% in October 2001 and November 2000, respectively. Finally, prices of services increased by 3,47%, compared with 3,55% in October 2001 and 3,05% in November 2000.

As a result of the aforementioned developments in November, the inflation rate in the first eleven months of 2001 stood at 1,94%, thus maintaining a significant slowdown compared with the corresponding period in 2000, when it reached 4,21%. A more detailed analysis of developments on the inflation front by economic origin is presented in tables 3 and 4 of the annex⁵.

Concerning 2002, the inflation rate is expected to reach around 2,0% to 2,5%, excluding the effects of any increase in the VAT rate or in other indirect taxes during the year. This preliminary projection, which is based on the framework of price analysis by economic origin as presented above⁶, adopts the following assumptions:

- International oil prices will remain at the relatively low level of USD22 per barrel during the year, which is more likely the more severe the recession

in the United States turns out to be as well as the slowdown or recession in the European Union.

- No wide fluctuations of the Cyprus pound against the euro, the US dollar, the pound sterling and the yen will occur.
- Agricultural product prices will register the same increase as in 2001, and finally,
- Monetary policy in Cyprus will be accommodative to international developments to the extent macroeconomic stability is not affected.

It is pointed out that the more pronounced the slowdown in the growth rate of the Cypriot economy turns out to be in 2002, due to unfavourable international developments, the greater the likelihood of a lower inflation trend, and vice versa.

For purposes of comparison, table 13 presents the latest available data on inflation in Cyprus, the euro area and other selected countries, as well as the corresponding projections for 2002.

⁵ Table 3 shows percentage changes in the consumer price index from 1998 to November 2001, and table 4 shows the corresponding weighted contributions of the particular categories to the general index in the same period. In addition, tables 5 and 6 in the annex present the corresponding analyses of recent developments in the inflation front by product category.

⁶ These conclusions are also supported by preliminary econometric analyses using autoregressive models, with quarterly data for the period 1992(1) – 2001(2).

Table 13

Inflation : Cyprus and Other Countries			
Country	Yearly change	Month	Forecast for 2002 ¹
Cyprus	2,0	Nov	2,2 ²
Eurozone	2,4	Oct	1,6
U.S.A.	2,1	Oct	1,8
G.Britain	1,6	Oct	2,2
Germany	1,7	Nov	1,3
Italy	2,4	Nov	1,7
Denmark	2,2	Oct	2,0
France	1,8	Oct	1,2
Austria	2,6	Oct	1,5
Belgium	2,4	Oct	1,6
Spain	3,0	Oct	2,3
Sweden	2,7	Oct	1,9
Switzerland	0,3	Nov	1,1
Japan	-0,8	Sept	-0,7
Canada	1,9	Oct	1,9

¹ Source : The Economist

² Source : Central Bank of Cyprus

2.4 DOMESTIC ECONOMY

Production

According to the latest available data, the primary sector of the economy and specifically agriculture displayed a significant improvement in comparison with the previous year. In the secondary sector, construction continued its upward trend, while on the contrary the performance of manufacturing is not satisfactory. The tertiary sector, which is the driving force of the economy, and particularly tourism, shows strong signs of decline. Thus, overall and according to the latest information, a slowdown in the growth of GDP is expected in 2001, compared with 2000.

Analytically, the primary sector and in particular agricultural output displayed a significant improvement in 2001, following the downturn observed in the previous year, registering an increase of 13,4% in January-August 2001, compared with a fall of 14,9% in the corresponding period of the previous year. More specifically, crop production and livestock production rose by 26,7% and 0,9%, respectively, in January-August 2001, compared with a decrease of 27,6% and an increase of 1,9%, respectively, in the same period of 2000.

In the secondary sector the picture is mixed, as construction exhibits a strong recovery, while in parallel manufacturing continued its downward trend. Specifically, the volume index of building permits, which indicates prospects in the construction sector in the following few months, after declining in June and July, rebounded in August and September registering an increase of 11,9% and 22,1%, respectively, compared with a decrease of 13,0% and an increase of 0,5% in the corresponding months of 2000. In parallel, the value index of building permits continued its upward trend, registering an increase of 13,3% and 31,6% in August and September, respectively, compared with a decrease of 11,7% and an increase of 11,5% in the corresponding months of the previous year. For the whole January-September period, the volume (value) index of building permits rose by 22,3% (25,2%), compared with an increase of 0,1%

Chart 5

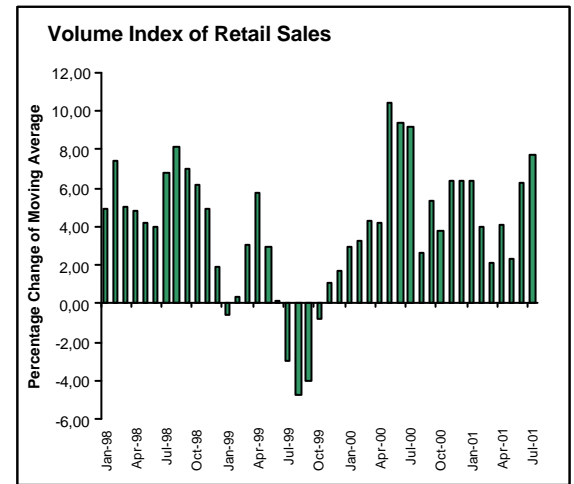
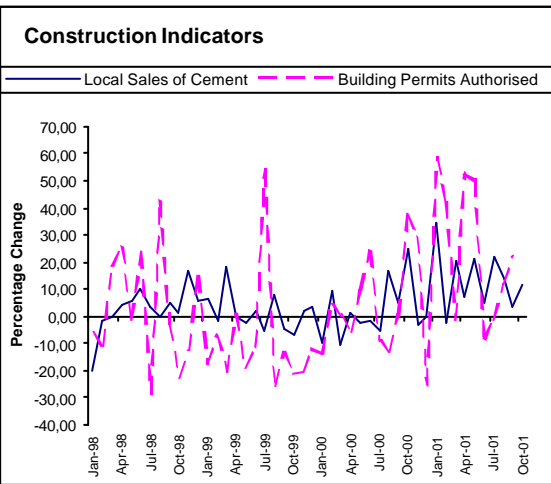
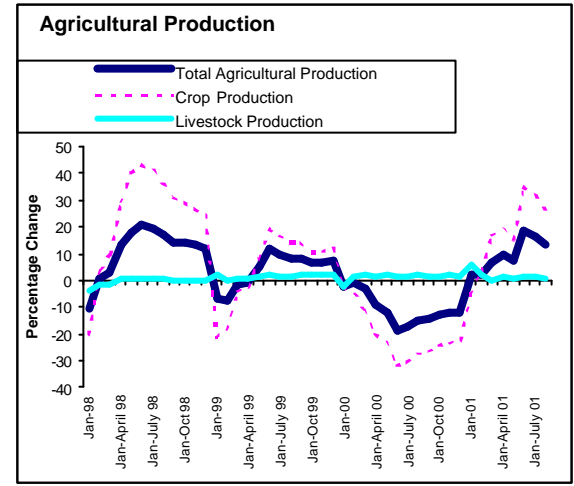
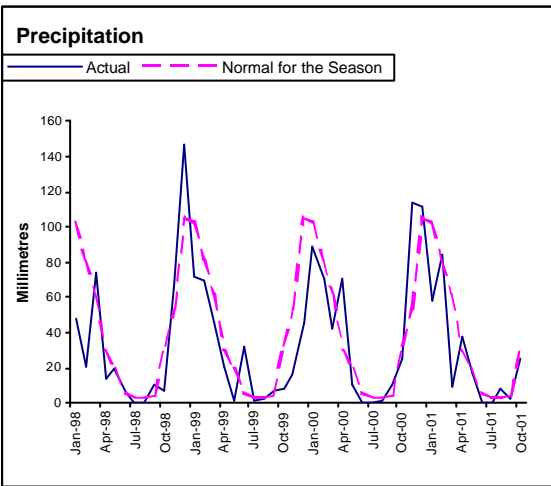
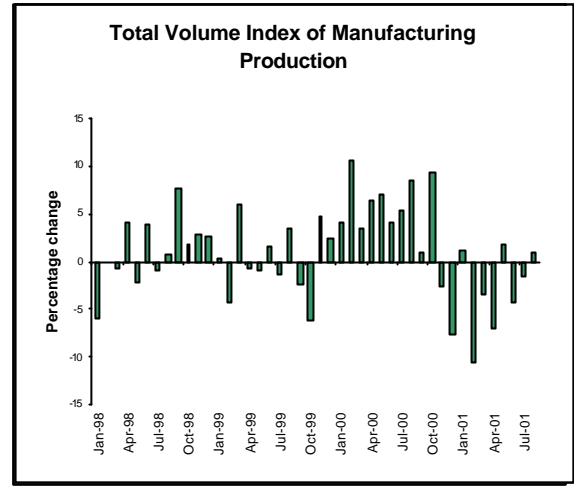
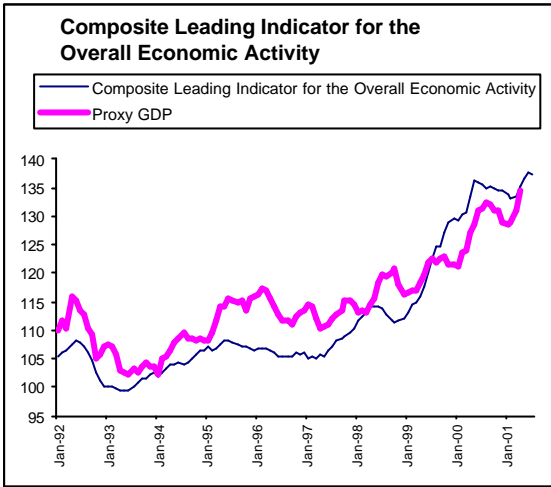
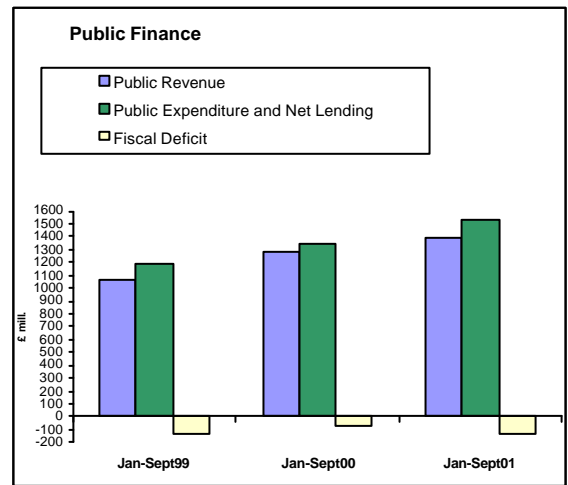
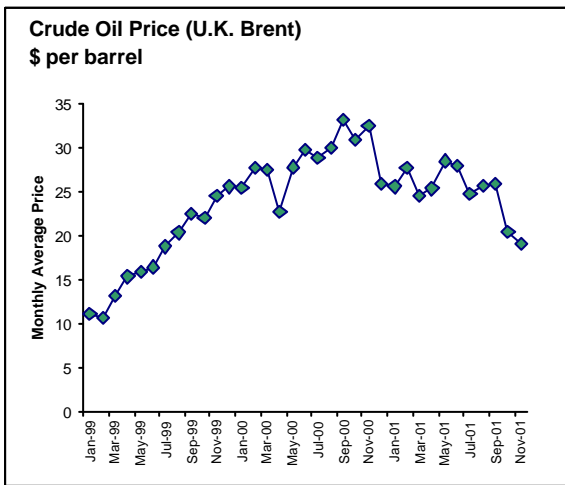
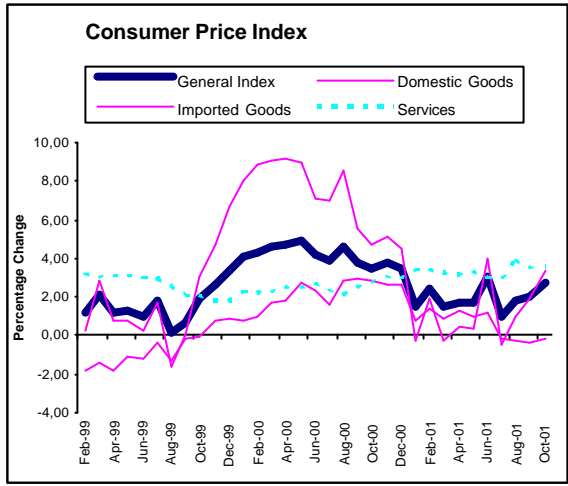
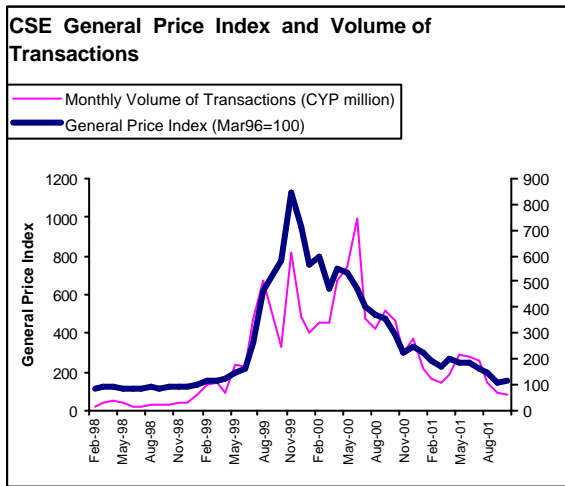
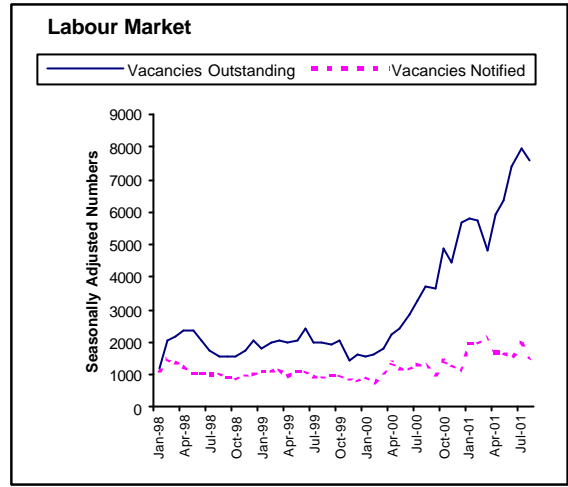
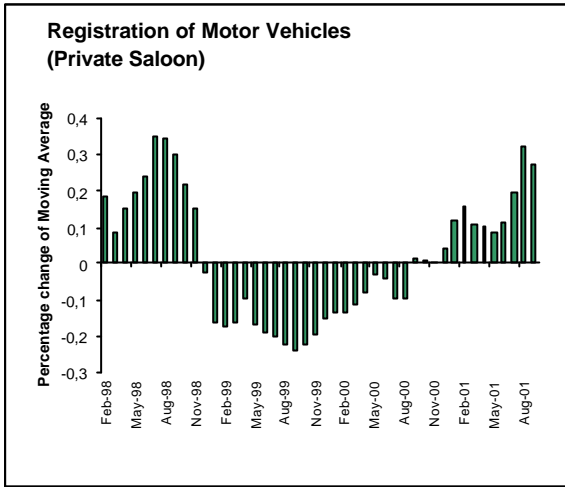


Chart 6



(4,6%) in January-September 2000. Local cement sales continued their upward trend in September and October, increasing by 3,8% and 11,8%, respectively, as compared with 5,3% and 24,7% in the corresponding months of 2000. For the whole period January-October 2001, local cement sales grew by 13,3%, compared with an increase of 1,7% in the corresponding period of the previous year.

As regards manufacturing, the situation is still very worrisome. Although a marginal increase in manufacturing output was recorded in August, in nearly all previous

months of the year a significant fall was recorded. Specifically, the volume index of manufacturing production, after decreasing by 1,6% in July 2001, increased by 1,0% in August, compared with an increase of 8,5% in August 2000. For the period January-August of the current year, the index registered a fall of 3,0%, compared with a rise of 6,1% in the corresponding period of the previous year. The performance of manufacturing by product category is presented in table 14.

Table 14

Manufacturing Production Volume Index - % Change by Category

	August 01/00	August 00/99	Jan-Aug 01/00	Jan-Aug 00/99
Total Index	0,95	8,53	-2,98	6,06
Food Products, Beverages & Tobacco	-1,94	4,30	-7,14	8,24
Textiles & Textile Products	-10,45	33,49	-3,67	-7,03
Leather and Leather Products	-19,05	-5,08	-7,16	-12,96
Wood & Wood Products	-20,66	64,02	-5,35	8,75
Paper, Paper Products, Publishing & Printing	2,88	20,35	6,59	12,54
Refined Petroleum Products	4,36	1,50	0,02	-0,29
Chemicals, Chemical Products and Man-Made Fibres	26,62	0,33	7,97	3,87
Rubber and Plastic Products	-6,68	19,92	-5,66	-1,35
Other Non-Metallic Mineral Products	10,41	-0,47	2,53	5,06
Basic Metals & Fabricated Metal Products	11,45	19,31	0,12	11,41
Machinery and Equipment N.e.c.	23,06	12,90	3,96	10,60
Electrical & Optical Equipment	20,44	20,81	-3,78	6,83
Transport Equipment	0,93	39,65	-21,82	5,09
Manufacturing N.e.c.	-6,59	-1,18	-6,58	5,10

The services sector and in particular tourism, which is the driving force of the economy, has been adversely affected by international developments and shows clear signs of decline. Specifically, tourist arrivals fell by 10,3% and 19,7% in October and November 2001, respectively, compared with increases of 11,0% and 13,0% in the corresponding months of the previous year. For the entire period January-November 2001, tourist

arrivals displayed a substantial deceleration and increased by 1,1%, compared with a rise of 10,3% in the corresponding period of 2000. Receipts from tourism in January-October 2001 are estimated at £1.193,6 million, showing an increase of 8,8%.

The significant slowdown in tourism is reflected to some extent in the decline of business confidence of hotel owners, as

portrayed in the Business Trends Survey conducted by the Statistical Service in September 2001. Specifically, the proportion of hotels reporting in September that they expected a deterioration in their business position during the next six months greatly exceeded the proportion of those expecting an improvement, compared with a much smaller proportion in the same month of the previous year. Furthermore, the proportion of hotels reporting that they considered their business position as more than satisfactory for the season exceeded the proportion of those assessing it as not satisfactory by 26 percentage points, while in the same month of the previous year the difference was much greater. At the same time, the proportion of hotels reporting that demand in September 2001 was assessed as higher than normal was lower than the corresponding proportion in September 2000, while the proportion of hotels reporting that demand was normal for the season exceeded the corresponding proportion in the same month of the previous year.

Consumption

According to available data, consumption prior to the September events was expanding at a relatively fast rate. Specifically, private consumption in July and August accelerated significantly, as the retail sales volume index rose by 15,1% and 13,1%, respectively, compared with 0,7% and 7,0% in the corresponding months of the previous year. The course of retail sales by product category is presented in table 15. For the first eight months of 2001 the retail sales volume index continued to display a small deceleration and increased by 5,8% compared with 6,1% in the corresponding period of 2000.

The increase in retail sales in July and August is consistent to a certain extent with the increase in the growth rate of imports for home consumption (excluding imports of military equipment and fuels) to 9,5% and 14,1% in July and August 2001, respectively. For the entire period January-August 2001, these imports displayed a small deceleration, with a growth rate of 14,0% compared with 14,5% in the corresponding period of 2000, which is also consistent with the small deceleration in private consumption in the same period.

However, there are signs that even after the tragic events of September consumption continued to be high. Specifically, private saloon car registrations continued to increase and reached a rate of increase of 38,6%, compared with a fall of 11,0% in the corresponding month of 2000 and an increase of 11,0% in September of the current year. In the period January-November 2001 private saloon car registrations increased by 19,4%, compared with a decrease of 6,6% in the corresponding period of 2000.

Table 15**Retail Sales Volume Index - % Change by Category**

	August 01/00	August 00/99	Jan-Aug 01/00	Jan-Aug 00/99
Total Index	13,14	7,03	5,82	6,12
Food, Drinks and Tobacco	4,13	5,19	4,47	0,36
Clothing and Textiles	-11,83	16,14	-2,75	20,05
Footwear & Leather Products	4,80	18,70	2,92	20,31
Electrical Goods & Appliances	0,00	12,68	-8,71	19,66
Vehicles, Machinery & Spare Parts	51,64	4,39	20,39	0,98
Supermarkets	1,88	22,79	0,49	13,90
Pharmacies	14,50	-23,10	5,94	-12,17
Furniture	17,79	-5,34	5,49	11,55
Petrol Stations	9,06	5,10	1,21	5,27
Toys	-5,58	12,10	-0,62	-4,51

Labour Market

Turning to the labour market, an increase in the number of registered unemployed by 3,7% was recorded in November, compared with a decrease of 11,4% in November 2000, while unemployment as a percentage of the economically active population rose to 3,5%, compared with 3,3% in the corresponding month of 2000. In the entire period January-November 2001 the unemployment rate fell by 14,2% to 3,0% of the economically active population, compared with 3,4% in the corresponding period of 2000. A fall in unemployment was observed in nearly all sectors of the economy, with the exception of new entrants to the labour market, where an increase of 15,0% was registered, and the sector of finance, insurance, real estate and business services, which registered an increase of 8,5%.

More specifically, public revenue increased by 9,1% in the first nine months of the year, compared with an increase of 21,2% in the corresponding period of 2000. Amongst the categories of public revenue, receipts from both direct and indirect taxes decelerated and increased by 17,9% and 12,7% respectively, compared with increases of 20,2% and 15,1%, respectively, in the first nine months of the previous year.

Public Finances

The fiscal deficit in January-September 2001 increased substantially and reached £133,3 million, compared with £69,1 million in the corresponding period of the previous year.

Table 16

Public Finances Summary '01

	£ millions		% Change 01/00	
	Jan-Aug	Jan-Sept	Jan-Aug	Jan-Sept
Total Revenue and Grants	1234,1	1395,9	11,1	9,0
Direct Taxes	374,6	438,7	13,5	17,9
Income Tax	270,6	321,1	25,9	32,4
Indirect Taxes	474,8	535,4	14,9	12,7
Value Added Tax	218,8	250,1	23,2	21,1
Excise Taxes	120,7	135,3	10,7	10,2
Import Duty	44,6	49,8	43,1	23,6
Social Security Funds Contributions	175,8	196,0	9,9	9,9
Other Revenues	207,8	224,6	1,2	-11,1
Foreign Grants	1,1	1,3	-34,0	-31,7
Total Expenditure and Net Lending	1371,3	1529,2	15,1	13,3
Current Expenditure	1257,5	1399,9	16,0	14,0
Goods and Services	539,8	595,1	0,3	14,6
Wages and Salaries	340,0	381,5	4,7	5,8
Current Transfers	331,4	275,3	30,7	-2,2
Social Pension	11,9	17,8	-17,9	6,9
Social Security Funds Payments	189,2	209,9	9,9	8,3
Subsidies	57,5	65,9	50,4	45,4
Interest	224,1	235,9	14,5	2,0
Capital Expenditure	108,5	123,7	5,7	7,1
Investment	82,3	92,4	4,8	4,6
Capital Transfers	26,2	31,3	8,7	15,1
Net Lending	5,3	5,6	1,4	0,4
Fiscal Surplus (+)/Deficit(-)	-137,2	-133,3	68,5	92,9

Although total receipts from indirect taxes decelerated in January-September 2001, income tax receipts increased by 32,4% compared with 19,8% in the corresponding period of 2000, as a result of the delayed payment of company tax amounting to about £40,0 million in January 2001 instead of December 2000. Conversely, receipts from other direct taxes decreased. Concerning indirect taxes, revenue from the value added tax registered a lower growth rate, while a deceleration was also observed in excise tax receipts, reflecting the slowdown in consumption demand. In contrast, import duty receipts increased, compared with a small decrease in the corresponding period of the

previous year. Finally, an acceleration was recorded in social security fund contributions.

Public expenditure displayed a marginal slowdown in January-September 2001, expanding by 13,3% due to the marginal slowdown in current expenditure, which increased by 14,0% in January-September 2001. Analytically, purchases of goods and services, which is the largest category of current expenditure, recorded a small acceleration, despite the slowdown recorded in wages and salaries, which are included in this category. Current transfers declined, while interest payments and subsidies decelerated. In contrast, an acceleration was observed in social security fund payments. Finally, capital

expenditure accelerated in the first nine months of the year and increased by 7,1%, compared with an increase of 6,8% in the corresponding period of the previous year. This developments reflects the large increase registered in capital transfers.

Overall, in 2001 the fiscal deficit is expected to exceed the proportion of 2,6% of GDP originally projected and reach about 3%.

2.5 EXTERNAL TRANSACTIONS

The sharp rise in total imports by 40,7% which was recorded in July and was mainly due to increases in imports of military equipment and fuels has subsided. Preliminary data for August indicate a significant deceleration in total imports, which increased by only about 5%. In parallel, tourist arrivals in October and November registered a significant decrease, after the marginal decrease registered in September.

The latest available data on trade in goods are summarised in table 17. The growth rate of imports for home consumption excluding imports of military equipment and fuels decreased to 9,5% in July, compared with 17,0% in July 2000, while in August 2001, according to the latest preliminary data, the growth rate reached 14,1%, compared with 27,6% in August 2000. The growth rate of imports for home consumption excluding imports of military equipment and fuels has continued to decline during the course of the year, from 35,3% in the first month and 18,4% in the first quarter, to 14,8% in the first half of

2001 and 14,0% in the January-August period, as compared with 14,5% in the corresponding period of the previous year.

Domestic exports as well as re-exports in August, as in the previous three months, exhibited growth rates higher than those in the corresponding month of the previous year. Specifically, domestic exports increased by 19,8% in August 2001, compared with an increase of 11,0% in August 2000. Re-exports increased by 6,4% in August, compared with a decrease of 20,1% in the corresponding month of 2000. Notwithstanding the sizeable increase of both domestic exports and re-exports in the second quarter of 2001, the growth rates for the period January-August reached 6,9% and 8,1%, respectively, remaining below the growth rates of 10,9% and 8,5% recorded in the corresponding period of the previous year.

Table 17

Trade balance data
January – August* (£ million)

	1999	2000	2001	% change 2001/2000	% change 2000/1999
Total imports (cif)	1.241,6	1.582,2	1.730,0	9,3	27,4
Imports for home consumption (cif)	1.019,0	1.299,2	1.467,2	12,9	27,5
Imports for home consumption (cif) excluding imports of military equipment & fuels	931,8	1.066,8	1.216,4	14,0	14,5
Total exports (fob)	353,7	406,4	431,4	6,2	14,9
Domestic exports (fob)	138,7	153,9	164,5	6,9	10,9
Re-exports (fob)	193,3	209,8	226,8	8,1	8,5
Shipstores	21,7	42,7	40,2	-5,8	96,8
Crude trade balance	-887,9	-1.175,8	-1.298,6		

* Data for August are provisional.

In the services sector, receipts from tourism⁷ reached £1.193,6 million in the period January-October, registering an increase of 8,8% in comparison with the corresponding period of 2000. According to detailed data from the survey conducted by the Cyprus Tourism Organisation, the increase in tourist receipts in January-October 2001 emanated mainly from European Union member states – which accounted for over 81% of receipts. Specifically, marked increases were recorded in receipts from the United Kingdom, Greece, Sweden, Finland and Ireland, of the order of

14,2%, 16,0%, 22,0%, 69,6% and 41,0%, respectively. Receipts from Russia and other countries of the former Soviet Union – which accounted for 6,7% of total receipts – increased by 20,2%.

⁷ Estimates of receipts from tourism as well as tourist arrivals do not include Cypriot students.

Table 18**Tourist arrivals**

January – November

	1998	1999	2000	2001	% change 2001*/2000	% change 2000/1999	% change 1999/1998
Number of persons*	2.139.985	2.350.011	2.592.480	2.621.568	1,1	10,3	9,8

* Does not include arrivals of Cypriot students.

A decline of tourist arrivals was observed after the events of 11 September in the United States, which created an environment of insecurity and uncertainty. Specifically, arrivals decreased substantially in October and November by 10,3% and 19,7% respectively, compared with increases of 11,0% and 13,0% in the corresponding months of the previous year. In the period January-November 2001 the rate of increase in tourist arrivals fell to 1,1%, from 10,3% in the corresponding period of the previous year.

Table 19 presents non-resident investments in shares quoted on the Cyprus Stock Exchange. As this table show, net purchases of shares increased to £100,9 thousand in September, but in October sales exceeded purchases, resulting in negative net investments of £181,2 thousand.⁸

⁸ Tables 8 and 9 in the annex present non-resident purchases and sales of shares quoted on the Cyprus Stock Exchange by country of residence.

Table 19**Investments by non-residents in the Cyprus Stock Exchange**

March - October 2001 (£ thousand)

	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
Purchases	1.686,2	1.206,2	1.817,3	794,6	688,5	1.261,6	872,7	915,9
Sales	1.086,6	999,3	1.097,0	1.312,7	406,6	706,1	771,8	1.097,1
Net investments	599,6	206,9	720,3	-518,1	281,9	555,5	100,9	-181,2

Balance of Payments projections

Turning to prospects for the entire year 2001, table 20 presents a summary of the latest projections for the balance of payments, as recently revised taking into account international developments after the terrorist attacks of 11 September. According to these projections, the current account deficit is expected to reach £327,2 million, remaining at the relatively high level of 5,6% of GDP, as compared with 5,2% of GDP in 2000. It should be noted that prior to the events of 11 September the current account deficit was expected to decrease to £274,0 million or 4,7% of GDP.

Analytically, total imports are expected to increase by 4,2%, down from a growth rate of 23,2% in 2000. This slowdown in imports, which has been observed since the second quarter of the year, is attributable to the negative effect of the fall in share prices on domestic demand as well as to the fall in oil prices⁹. At the same time, domestic exports

and re-exports are expected to increase by 2,5% and 8,2%, respectively, mainly due to the recovery of exports of agricultural products, particularly potatoes, while exports of manufactured products are expected to remain at about the same level as last year.

As regards tourism, the marginal decrease in tourist arrivals which was recorded in September and worsened in October and November, mainly due to increased uncertainty globally, is expected to result in a significant deceleration in tourist arrivals to a rate of increase of 1,2% (to 2,718 million persons in 2001), compared with an increase of 10,3% in 2000. At the same time, an increase of 6,2% in tourist expenditure per person is expected, resulting in an increase in receipts from tourism by 7,5% to £1.283,0 million, as compared with and increase of 16,5% in 2000.

⁹ The projections for imports of fuels were based on an expected average oil price of USD24,5 per barrel in 2001 (down from USD28,5 in 2000). It is noted that the

average price of Brent crude oil in November fell to USD19,0 per barrel, and the average price for the first eleven months of the year stood at USD25,0 per barrel.

Table 20

Balance of Payments

£ million

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 (Proj.)	2002 (Proj.)	% change 2001/2000	% change 2000/1999
Exports (fob)	404,0	396,6	387,1	432,9	510,2	597,1	605,6	519,9	504,4	523,5	553,5	558,5	5,7	3,8
Imports (fob)	-1.186,0	-1.483,8	-1.181,1	-1.330,5	-1.499,4	-1.667,4	-1.704,7	-1.807,4	-1.796,9	-2.213,7	-2.308,3	-2.325,6	4,3	23,2
Trade balance	-782,0	-1.087,2	-794,0	-897,6	-989,2	-1.070,3	-1.099,1	-1.287,5	-1.292,6	-1.690,1	-1.754,8	-1.767,1	3,8	30,8
Invisible receipts	1.031,4	1.311,2	1.332,5	1.474,8	1.587,8	1.579,1	1.705,0	1.802,9	2.059,6	2.469,9	2.595,2	2.679,0	5,1	19,9
Invisible payments	-450,1	-505,2	-488,6	-533,6	-671,4	-724,2	-779,8	-827,7	-885,1	-1.063,9	-1.167,6	-1.246,3	9,7	20,2
Invisible balance	581,3	806,0	843,9	941,2	916,4	854,9	925,2	975,2	1.174,6	1.406,0	1.427,6	1.432,7	1,5	19,7
Current account balance	-200,7	-281,2	49,9	43,6	-72,8	-215,4	-173,9	-312,3	-118,0	-284,1	-327,2	-334,4	15,2	140,8
Short-term capital	82,4	45,9	-31,6	63,2	6,7	4,4	-22,5	-36,7	41,5	5,7	5,7	40,0	0,0	-86,3
Long-term loans	14,6	30,4	-24,0	-70,7	-34,0	-39,4	-44,4	49,3	-172,7	55,0	185,5	168,6	237,5	-131,8
Other long-term capital	21,1	31,5	23,3	9,4	22,3	45,0	169,0	181,7	178,7	62,4	267,3	55,3	328,4	-65,1
Net capital movement	118,1	107,8	-32,3	1,9	-5,0	10,0	102,1	194,3	47,6	123,1	458,5	263,9	272,5	158,6
Net errors and omissions	50,1	39,9	33,2	20,5	-33,1	-14,1	-47,3	-71,3	-81,8	96,6	52,7	25,5		
Overall balance	-32,5	-133,5	50,8	66,0	-110,9	-219,5	-119,1	-189,3	-152,2	-64,4	184,0	-45,0		
Nominal GDP	2.674,7	3.102,9	3.274,6	3.650,7	4.006,6	4.161,0	4.369,3	4.693,7	5.017,5	5.485,9	5.815,0	6.193,0		
Current account balance as a percentage (%) of GDP	-7,5	-9,1	1,5	1,2	-1,8	-5,2	-4,0	-6,7	-2,4	-5,2	-5,6	-5,4		

3. ANNEX

Table 1**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
Jan-00	0,69	2,74	2,74	4,19	2,05	3,18	5,91	5,74	9,51	6,03
Feb-00	0,69	2,80	2,81	4,25	2,06	3,18	6,01	5,85	9,52	6,13
Mar-00	0,73	2,96	2,96	4,28	2,07	3,33	6,07	5,85	9,56	6,10
Apr-00	0,76	3,04	3,05	4,28	2,09	3,44	6,24	6,00	9,64	6,12
May-00	0,78	3,26	3,26	4,45	2,13	3,65	6,41	6,16	9,72	6,30
Jun-00	0,83	3,49	3,49	4,48	2,16	3,87	6,56	6,23	9,84	6,34
Jul-00	0,87	3,58	3,58	4,71	2,33	3,94	6,77	6,37	9,95	6,46
Aug-00	0,89	3,67	3,67	4,75	2,36	4,06	6,81	6,44	10,00	6,51
Sep-00	0,94	3,85	3,83	4,77	2,38	4,20	6,92	6,44	10,03	6,56
Oct-00	0,97	3,96	3,96	4,76	2,40	4,14	7,13	6,60	10,15	6,57
Nov-00	0,99	4,04	4,03	4,77	2,47	4,25	7,16	6,63	10,20	6,56
Dec-00	1,01	3,96	3,96	4,58	2,49	4,21	7,18	6,45	10,19	6,43
Jan-01 *	1,01	3,88	3,88	4,39	2,52	4,01	7,19	6,40	10,32	6,29
Feb-01	1,01	3,84	3,83	4,35	2,50	3,99	7,11	6,44	10,26	6,24
Mar-01	1,02	3,81	3,81	4,32	2,50	3,99	7,04	6,32	10,22	6,18
Apr-01	1,03	3,76	3,76	4,26	2,50	3,91	7,07	6,34	10,24	6,14
May-01	1,01	3,75	3,74	4,27	2,48	3,91	7,03	6,34	10,22	6,17
Jun-01	0,98	3,65	3,65	4,25	2,46	3,85	6,97	6,25	10,17	6,13
Jul-01	0,97	3,66	3,65	4,22	2,44	3,80	6,89	6,21	10,10	6,05
Aug-01	0,96	3,60	3,59	4,15	2,41	3,68	6,88	6,19	10,16	5,96
Sep-01	0,91	3,31	3,31	3,99	2,36	3,33	6,72	6,07	10,08	5,86

* From January 2001 data refer to Euro area enlargement

Table 2

MONEY MARKET INTEREST RATES

		Cyprus					Euro area				
		Overnight deposits	2-7 days deposits	1-month deposits	Over 1-month deposits	12-month deposits	Overnight deposits	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2000											
	July	6,66	6,68	6,81	-	6,50	4,31	4,41	4,58	4,84	5,11
	August	6,57	6,58	6,50	-	6,50	4,42	4,57	4,78	5,01	5,25
	September	5,76	5,90	-	6,50	6,50	4,59	4,70	4,85	5,04	5,22
	October	6,40	6,34	6,25	-	6,50	4,76	4,85	5,04	5,10	5,22
	November	5,99	6,11	6,35	6,35	6,50	4,83	4,92	5,09	5,13	5,19
	December	6,06	6,27	6,24	7,00	6,50	4,83	4,94	4,93	4,91	4,87
2001											
	January	5,77	5,88	6,31	-	6,50	4,75	4,81	4,77	4,68	4,58
	February	5,51	5,80	6,28	6,59	6,50	4,99	4,80	4,76	4,67	4,59
	March	5,82	5,85	6,05	6,83	6,50	4,78	4,78	4,71	4,58	4,47
	April	6,37	6,42	6,39	-	6,50	5,06	4,79	4,69	4,57	4,49
	May	6,66	6,57	6,60	6,72	6,50	4,65	4,67	4,64	4,57	4,53
	June	4,72	4,73	5,00	6,55	6,50	4,54	4,53	4,45	4,35	4,31
	July	4,94	4,95	5,95	6,50	6,50	4,51	4,52	4,47	4,39	4,31
	August	4,34	4,30	4,85	5,84	6,50*	4,49	4,46	4,35	4,22	4,11
	September	4,03	4,07	5,21	6,10	6,50*	3,99	4,05	3,98	3,88	3,77
	October	3,72	3,81	4,78	-	6,50*	3,97	3,72	3,60	3,46	3,37

Source: Central Bank of Cyprus

Source: ECB Monthly Bulletin - November 2001 -
European Central Bank

* The last 12-month deposit at an interest rate of 6,50%, occurred on July 18. The next 12-month deposit, occurred on November 19, at an interest rate of 5,00%.

Table 3

Table 1

**Percentage change in the Consumer Price Index by economic origin (%)
1998-2001**

	Yearly			Quarterly			Nov.	Oct.	Nov.	Jan.-Nov.	Jan.-Oct.	Jan.-Nov.	Weights	
	1998	1999	2000	2001 I	2001 II	2001 III	2000/ 1999	2001/ 2000	2001/ 2000	2000/ 1999	2001/ 2000	2001/ 2000	1992=100 ²	1998=100 ¹
GENERAL INDEX	2,23	1,74	4,14	1,75	2,15	1,62	3,76	2,71	2,00	4,21	1,93	1,94	100,00	100,00
? LOCAL GOODS	2,08	1,73	7,15	0,43	1,61	0,81	5,13	3,40	1,50	7,41	1,20	1,23	42,99	36,69
? .1 Agricultural	1,65	-1,86	8,98	-3,99	1,55	4,55	2,09	19,08	11,32	9,78	2,48	3,29	11,31	7,93
? .2 Industrial	3,11	2,96	4,47	0,83	2,34	0,51	4,90	-0,29	-0,64	4,47	1,07	0,91	29,70	26,75
? .2.1 <i>industrial non-petroleum</i>	3,66	3,20	2,50	-1,32	0,28	0,47	1,98	1,22	0,78	2,59	-0,04	0,03	24,97	22,42
? .2.2 <i>fuel and gas</i>	0,00	1,52	14,86	11,59	12,93	0,66	19,63	-6,72	-6,73	14,39	6,41	5,08	4,73	4,33
? .3 Electricity and Water	-11,07	0,93	36,04	10,72	-5,70	-7,04	18,70	-4,61	-5,99	38,35	-1,38	-1,81	1,98	2,01
? IMPORTED GOODS	0,29	-0,83	2,13	1,02	1,16	-0,29	2,65	-0,11	0,09	2,10	0,55	0,51	23,17	22,20
B.1 Motor Vehicles	-0,54	-1,52	3,78	2,05	1,32	-0,37	3,73	-1,19	-0,50	3,82	0,77	0,65	11,88	9,43
B.2 Other Imported	1,08	-0,19	0,93	0,25	1,04	-0,24	1,85	0,71	0,52	0,84	0,39	0,40	11,29	12,77
C SERVICES	3,54	3,23	2,52	3,36	3,17	3,37	3,05	3,55	3,47	2,48	3,33	3,34	33,84	41,11

Underlying inflation for

Cyprus³ **2,8** **2,3** **2,4** **1,5** **1,9** **1,7** **2,6** **2,0** **1,9** **2,4** **1,7** **1,7**

Euro area inflation **1,2** **1,1** **2,4** **2,6** **3,2** **2,7** **2,9** **2,3**

¹ For the years 2000 and 2001

² For the years 1998 and 1999

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

Table 4

Table 2

**Weighted contribution to the total change in the Consumer Price Index by economic origin (%)
1998-2001**

	Yearly			Quarterly			Nov.	Oct.	Nov.	Jan.-Nov.	Jan.-Oct.	Jan.-Nov.	Weights	
	1998	1999	2000	2001 I	2001 II	2001 III	2000/ 1999	2001/ 2000	2001/ 2000	2000/ 1999	2001/ 2000	2001/ 2000	1992=100 ²	1998=100 ¹
GENERAL INDEX	2,23	1,74	4,14	1,75	2,15	1,62	3,76	2,71	2,00	4,21	1,93	1,94	100,00	100,00
? LOCAL GOODS	0,89	0,75	2,63	0,16	0,61	0,31	1,94	1,29	0,57	2,72	0,45	0,47	42,99	36,69
?.1 Agricultural	0,17	-0,19	0,69	-0,33	0,12	0,36	0,17	1,49	0,91	0,75	0,20	0,27	11,31	7,93
?.2 Industrial	0,95	0,92	1,21	0,22	0,64	0,14	1,33	-0,08	-0,18	1,21	0,29	0,25	29,70	26,75
?.2.1 <i>industrial non-petroleum</i>	<i>0,96</i>	<i>0,85</i>	<i>0,57</i>	<i>-0,30</i>	<i>0,06</i>	<i>0,10</i>	<i>0,45</i>	<i>0,27</i>	<i>0,17</i>	<i>0,59</i>	<i>-0,01</i>	<i>0,01</i>	<i>24,97</i>	<i>22,42</i>
?.2.2 <i>fuel and gas</i>	<i>0,00</i>	<i>0,07</i>	<i>0,64</i>	<i>0,52</i>	<i>0,57</i>	<i>0,03</i>	<i>0,88</i>	<i>-0,35</i>	<i>-0,35</i>	<i>0,62</i>	<i>0,30</i>	<i>0,24</i>	<i>4,73</i>	<i>4,33</i>
?.3 Electricity and Water	-0,23	0,02	0,73	0,27	-0,15	-0,19	0,43	-0,12	-0,16	0,76	-0,04	-0,05	1,98	2,01
? IMPORTED GOODS	0,06	-0,17	0,46	0,22	0,25	-0,06	0,57	-0,02	0,02	0,46	0,12	0,11	23,17	22,20
B.1 Motor Vehicles	-0,06	-0,15	0,35	0,19	0,12	-0,03	0,34	-0,11	-0,04	0,35	0,07	0,06	11,88	9,43
B.2 Other Imported	0,12	-0,02	0,12	0,03	0,13	-0,03	0,23	0,09	0,06	0,11	0,05	0,05	11,29	12,77
C SERVICES	1,27	1,17	1,05	1,38	1,29	1,38	1,25	1,45	1,41	1,03	1,36	1,37	33,84	41,11

¹ For the years 2000 and 2001

² For the years 1998 and 1999

Table 5

Table 3

Percentage change in the Consumer Price Index by category of goods and services (%)
2000-2001

	Quarterly				Nov.	Oct.	Nov.	Jan.-Nov.	Jan.-Oct.	Jan.-Nov.	Weights 1998=100
	2000	2001 I	2001 II	2001 III	2000/ 1999	2001/ 2000	2001/ 2000	2000/ 1999	2001/ 2000	2001/ 2000	
GENERAL INDEX	4,14	1,75	2,15	1,62	3,76	2,71	2,00	4,21	1,93	1,94	100,00
Food & non-alcoholic beverages	5,49	0,63	3,06	3,97	3,42	10,05	6,48	5,78	3,30	3,60	18,20
Alcoholic beverages & tobacco	8,16	3,94	4,38	1,61	3,19	1,62	1,35	8,63	3,13	2,96	1,78
Clothing and footwear	-0,46	-12,87	-6,75	-5,24	-3,26	-1,79	-2,17	-0,19	-7,66	-7,15	8,22
Housing, water, electricity and gas	5,46	3,25	1,56	0,81	4,27	0,91	0,91	5,60	1,77	1,69	21,27
Furnishings, household equipment and supplies	1,47	0,29	0,80	-0,84	2,41	-0,03	0,25	1,43	0,07	0,09	7,08
Health	6,18	6,01	5,79	4,81	7,32	5,38	5,31	6,00	5,52	5,50	4,92
Transport	5,70	5,07	4,77	0,83	7,77	-1,25	-1,19	5,52	3,02	2,63	17,42
Communication	-10,36	-1,56	-1,79	6,04	-11,76	4,67	5,31	-10,24	1,14	1,49	1,79
Recreation & culture	-0,20	-2,06	-2,23	0,96	-1,58	1,46	1,43	-0,08	-0,87	-0,66	5,88
Education	3,87	3,50	4,05	4,15	3,23	6,63	6,63	3,93	4,18	4,41	2,33
Restaurants & hotels	5,80	8,19	6,58	5,43	7,90	4,56	3,70	5,61	6,48	6,22	6,07
Miscellaneous goods and services	4,16	5,34	4,50	3,16	5,89	3,26	2,84	4,09	4,21	4,08	5,04

Table 6

Table 4

Weighted contribution to the total change in the Consumer Price Index by category of goods and services (%)
2000-2001

	Quarterly				Nov.	Oct.	Nov.	Jan.-Nov.	Jan.-Oct.	Jan.-Nov.	Weights 1998=100
	2000	2001 I	2001 II	2001 III	2000/ 1999	2001/ 2000	2001/ 2000	2000/ 1999	2001/ 2000	2001/ 2000	
GENERAL INDEX	4,14	1,75	2,15	1,62	3,76	2,71	2,00	4,21	1,93	1,94	100,00
Food & non-alcoholic beverages	0,99	0,12	0,56	0,72	0,63	1,82	1,18	1,04	0,60	0,66	18,20
Alcoholic beverages & tobacco	0,16	0,08	0,09	0,03	0,06	0,03	0,03	0,17	0,06	0,06	1,78
Clothing and footwear	-0,04	-1,04	-0,57	-0,39	-0,28	-0,14	-0,17	-0,02	-0,61	-0,57	8,22
Housing, water, electricity and gas	1,17	0,71	0,34	0,18	0,92	0,20	0,20	1,20	0,38	0,37	21,27
Furnishings, household equipment and supplies	0,10	0,02	0,05	-0,06	0,17	0,00	0,02	0,10	0,00	0,01	7,08
Health	0,31	0,30	0,29	0,25	0,36	0,27	0,27	0,30	0,28	0,28	4,92
Transport	0,97	0,87	0,81	0,15	1,32	-0,22	-0,21	0,94	0,52	0,46	17,42
Communication	-0,17	-0,02	-0,03	0,09	-0,18	0,06	0,07	-0,17	0,02	0,02	1,79
Recreation & culture	-0,01	-0,12	-0,13	0,05	-0,09	0,08	0,08	0,00	-0,05	-0,04	5,88
Education	0,09	0,08	0,10	0,10	0,08	0,16	0,16	0,09	0,10	0,11	2,33
Restaurants & hotels	0,36	0,50	0,41	0,35	0,49	0,29	0,24	0,35	0,41	0,39	6,07
Miscellaneous goods and services	0,21	0,27	0,22	0,16	0,29	0,17	0,14	0,21	0,21	0,21	5,04

Table 7

CALENDAR OF INTEREST RATES ANNOUNCEMENTS IN 2001

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>	<u>?CB</u>
4	1	1	11	10	7	5	2	13	11	8	6
4,75 (1)	4,75	4,75	4,75	4,50	4,50	4,50	4,50	4,25	3,75	3,25	
18	15	15	26	23	21	19	30	17	25		20
4,75	4,75	4,75	4,75	4,50	4,50	4,50	4,25	3,75	3,75		
		29						27			
		4,75						3,75			
<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>	<u>BOE</u>
11	8	8	5	10	6	5	2	6	4	8	5
6,00 (2)	5,75	5,75	5,50	5,25	5,25	5,25	5,00	5,00	4,50	4,00	
								18			
								4,75			
<u>FED</u>		<u>FED</u>	<u>FED</u>	<u>FED</u>	<u>FED</u>		<u>FED</u>	<u>FED</u>	<u>FED</u>	<u>FED</u>	<u>FED</u>
3		20	18	15	26/27		21	17	2	6	11
6,00 (3)		5,00	4,50	4,00	3,75		3,50	3,00	2,50	2,00	
30/31											
5,50											
<u>CBC</u>	<u>CBC</u>	<u>CBC</u>	<u>CBC</u>		<u>CBC</u>	<u>CBC</u>	<u>CBC</u>	<u>CBC</u>		<u>CBC</u>	<u>CBC</u>
26	23	29	27		1	6	10	14		2	20
7,00 (4)	7,00	7,00	7,00		7,00	7,00	6,50	6,50		5,50	
								18			
								6,00			

- (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 8

**Inward Portfolio Flows (with reference to stocks traded on the Cyprus Stock Exchange)
Sale of shares by non - residents**

	May 2001	June 2001	July 2001	August 2001	September 2001	October 2001
Australia	5.565,0	0,0	0,0	15.614,4	14.039,2	0,0
Austria	0,0	0,0	0,0	0,0	27.746,1	0,0
British Virgin Islands	0,0	19.877,5	13.305,9	44.700,5	22.843,4	9.118,8
Canada	0,0	2.202,0	0,0	520,0	0,0	0,0
France	0,0	0,0	0,0	0,0	40,0	0,0
Germany	735,9	4.216,2	1.477,0	0,0	0,0	0,0
Greece	811.202,1	460.778,4	163.420,3	331.569,6	391.667,3	348.232,6
Latvia	0,0	0,0	0,0	0,0	0,0	7.423,0
Russia	204,4	125,8	0,0	256,0	4.954,3	20.111,5
South Africa	333,0	0,0	954,0	44.075,0	35.970,0	165.300,0
Spain	5.500,0	0,0	0,0	0,0	0,0	0,0
Switzerland	0,0	27.538,2	141.845,6	59.136,4	152.913,4	30.543,4
United Kingdom	80.427,6	653.174,5	38.658,3	32.886,3	42.953,9	19.227,1
Ukraine	9.180,0	17.462,0	307,5	11.548,5	0,0	0,0
USA	183.825,0	115.499,3	46.617,2	165.842,9	73.130,7	497.185,1
Yugoslavia	0,0	11.858,5	0,0	0,0	5.537,6	0,0
Total	1.096.973,0	1.312.732,4	406.585,8	706.149,6	771.795,8	1.097.141,5

Table 9**Inward Portfolio Flows** (with reference to stocks traded on the Cyprus Stock Exchange)**Purchase of shares by non - residents**

	May 2001	June 2001	July 2001	August 2001	September 2001	October 2001
Australia	6.104,4	55.550,5	13.208,8	34.625,6	5.305,0	3.620,1
Austria	21.743,6	0,0	0,0	0,0	0,0	0,0
Belgium	5.475,0	0,0	0,0	0,0	0,0	0,0
British Virgin Islands	0,0	0,0	1.248,6	33.196,0	23.056,7	35.980,7
Canada	12.290,0	11.705,0	561,6	4,6	619,0	900,6
Czech Republic	4.400,0	0,0	0,0	0,0	0,0	0,0
Georgia	0,0	1.512,0	0,0	0,0	0,0	0,0
Germany	52.657,0	19.683,8	9.294,0	2.100,0	0,0	0,0
Greece	1.089.593,6	394.579,0	427.524,2	912.929,6	468.446,6	710.639,2
Iran	0,0	0,0	0,0	3.648,0	1.517,0	6.415,0
Ireland	6.186,2	0,0	0,0	0,0	0,0	0,0
Italy	349,0	0,0	0,0	0,0	0,0	0,0
Jordan	0,0	14.730,9	5.280,0	0,0	0,0	0,0
Latvia	0,0	11.581,0	0,0	0,0	0,0	4.813,5
Lebanon	2.750,0	0,0	0,0	0,0	0,0	0,0
Mexico	0,0	0,0	22.125,0	0,0	0,0	0,0
Philippines	0,0	0,0	1.465,0	0,0	0,0	0,0
Russia	105.594,2	41.222,5	26.556,0	48.742,6	35.233,7	44.957,5
Saudi Arabia	18.751,8	0,0	6.847,5	41.718,0	77.483,9	0,0
South Africa	41.814,2	7.985,6	28.409,3	58.448,0	117.052,1	26.543,3
Spain	8.000,0	0,0	0,0	0,0	0,0	4.575,0
Switzerland	6.390,1	1.717,6	3.465,0	0,0	0,0	0,0
UAE	0,0	0,0	326,2	0,0	0,0	0,0
United Kingdom	271.101,7	132.484,0	59.735,4	53.605,9	107.362,7	20.567,0
Ukraine	59.269,4	58.619,0	55.382,2	29.124,6	36.606,0	10.602,6
USA	50.109,3	3.020,6	10.585,4	3.275,0	0,0	39.931,3
Yugoslavia	0,0	22.560,0	7.160,0	0,0	0,0	0,0
Zambia	31.192,9	16.462,1	5.469,8	34.309,0	0,0	5.457,3
Zimbabwe	0,0	0,0	3.840,0	2.127,2	0,0	900,0
Unidentified	23.500,0	1.167,5	0,0	3.735,2	0,0	0,0
Total	1.817.272,3	794.581,1	688.483,9	1.261.589,2	872.682,8	915.903,2