CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH DEPARTMENT

MONETARY

POLICY

REPORT

NOVEMBER 2002

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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, 2002
ECONOMIC RESEARCH DEPARTMENT

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1. INTRODUCTION

The continuing decline in equity values in the financial centres of the United States, Europe and Asia remains a matter of concern. Several analysts revised downwards their projections for the growth rates of these economies. Moreover, the prospect of military conflict between the United States and Iraq has pushed crude oil prices to high levels. In the United States, the consumer confidence indicator declined to 93,3 points in September, from 94,5 points in August, reflecting the continuing fall in equity values. In the euro area, inflation remains above the European Central Bank's maximum limit of 2,0%, and therefore an interest rate reduction is not considered as an appropriate choice at this juncture, notwithstanding increased pressure for such reduction. Furthermore, four countries in the euro area have shown or are expected to show fiscal deficits outside the framework of the Stability and Growth Pact. In Japan, besides economic stagnation, there is still lack of confidence for the government and the monetary authorities, following the sudden decision of the Bank of Japan to purchase bank shares in an effort to support this sector. Even though the world economic environment does not seem optimistic, major central banks, at their recent meetings, decided to leave interest rates unchanged.

In the domestic economy, price developments are prominent. Influenced by increases in the VAT and other indirect taxes, prices accelerated significantly in July, August and September. The inflation rate rose to 3,32% in July, 3,77% in August and 3,41% in September, compared with 1,01%, 1,81% and 2,05% in the respective months of 2001. The increase in the inflation rate in September compared with the same month of the previous year was driven to a large extent by increases in the prices of domestic industrial goods and electricity, and to a smaller extent by services prices. The increase in the consumer price index was moderated by the decline in the prices of imported goods, primarily imported cars, and by decreases in domestic agricultural product prices.

Concerning the outlook for price developments, the full impact of increases in indirect taxes will become evident in the coming months. Through the automatic indexation of wages, these increases will translate into wage increases, which in turn are expected to bring about further price increases. Taking into account this dynamics as well as the increase in the VAT standard rate to 15,0% next January, the inflation rate is projected to rise to about 4,0% - 4,5% in 2003.

In this potentially inflationary climate, the persistence of surplus bank liquidity, notwithstanding the decline observed in September, is a possible risk for a further rise of inflation. At present, the effects of excess liquidity on inflation and the current account deficit are mitigated by the continuing slowdown in the growth of credit to the private sector. According to provisional data for September, the annual growth rate of credit to the private sector declined to 7,9%, from 8,4% in the previous month. The slowdown in credit expansion is primarily attributable to subdued demand due to the slowdown in economic activity, but also due to more cautious bank policies for the assessment of loan applications.

The Central Bank, aiming to maintain interest rates consistent with its anti-inflationary policy, continued to intervene in the money market through auctions (depos) absorbing surplus liquidity and incurring the associated cost.

Turning to other domestic economic developments, an upward trend in unemployment compared with 2001 has been observed, while tourist arrivals continue to decline considerably. The outlook for tourism and the overall economy in 2002, as well as in 2003, seems to be linked to the strength an the timing of recovery of the world economy, particularly of the European economy.

Concerning tourism, the evidence is still discouraging, as tourist arrivals fell by 18,8% in August. For the first seven months of the year, tourist arrivals declined by 12,9%, while receipts from tourism decreased at a lower rate of 11,1%, owing to the increase in expenditure per tourist. Taking into account provisional data for September, the decrease in tourist arrivals for the first nine months of the year stood at 13,0%, compared with an increase of 4,0% in the corresponding period of 2001.

As regards external trade, total imports fell by 10,2% in June 2002, compared with a rise of 9,0% in the same month of 2001. Imports for home consumption excluding imports of fuels and military equipment also decreased considerably in June. For the first half of the year, total imports decreased by 0,4%, compared with an increase of 5,2% in the first half of 2001. Total exports fell by 36,4% in June, on account of the decline of both re-exports and second of the decline of domestic exports. For the first half of 2002, total exports fell by 16,9%, compared with an increase of 7,2% in the first half of the previous year. As a result of these developments, the crude trade deficit was of the order of £988,2 million in the first half of 2002, compared with £937,7 million in the first half of 2001.

Private consumption, as reflected by the retail sales volume index, decreased by 3,2% in July 2002, compared with an increase of 15,1% in the same month of 2001. For the period from January to July 2002, private consumption slowed, in comparison with the corresponding period of the previous year. Specifically, the retail sales volume index increased by 0,5%, compared with an increase of 4,9% in the corresponding period of 2001. The slowdown in the retail sales volume index is consistent with the decline in the growth rate of imports for home consumption recorded in the first half of the year.

In the labour market, unemployment as a percentage of the economically active population rose to 2,9% in September 2002, compared with 2,7% in the same month of 2001. The number of registered unemployed also increased substantially, continuing the uptrend observed since November 2001. An increase in unemployment was recorded in nearly all sectors of the economy.

In the secondary sector of the economy both positive and negative developments have been recorded. Manufacturing continued to decline in July. By contrast, the course of construction remained generally encouraging. In particular, the volume and value indices of building permits increased in June and July 2002, but local cement sales declined in August.

As regards public finances, the latest available data show that the fiscal deficit reached £100,7 million in the first half of 2002, compared with £36,8 million in the first half of 2001. The increase in the fiscal deficit is mainly attributable to the significant deceleration in public revenue, which grew by 2,1% in the first half of 2002, compared with a growth rate of 9,2% in the first half of 2001, while public expenditure recorded a smaller deceleration.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

International economic developments do not generate optimism concerning the prospects for world economic growth. Equity markets in the major financial centres continued their downturn in September, while the respective central banks left official interest rates unchanged at their recent meetings. Several forecasters revised downwards their projections of growth rates of the major developed economies (table 1).

In the **United States**, in spite of the latest releases of unfavourable economic data, the US Federal Reserve System anticipates an improvement of business climate, based on the current monetary policy combined with increased productivity. Nevertheless, the continuing sharp decline in equity values remains the main factor adversely affecting consumer confidence. Specifically, the consumer confidence indicator decreased to 93,3 points in September, from 94,5 points in August. Unemployment remained broadly stable at 5,6% in September, while the inflation rate increased to 1,8% in August, from 1,5% in July. The Dow Jones, S&P 500 and Nasdaq indices declined by 4,4%, 3,4% and 4,0%, respectively, in September. In the period from January to September 2002, these indices fell by 20,8%, 26,1% and 37,8%, respectively (table 2).

The **euro area** presents mixed signals concerning economic robustness. In Germany, the Ifo industrial confidence index declined for the fourth successive month, reaching 88,2 points in September, compared with 88,8 in the previous month. Due to lack of confidence in the markets, investors are reserved as regards risks they are willing to take in their portfolio. The inflation rate remained slightly above 2,0% in September, and unemployment remained unchanged at 8,3% in August. Four countries in the euro area, namely Germany, France, Italy and Portugal, have shown or are expected to show fiscal deficits above the limit of 3,0% of GDP set out in the Stability and Growth Pact. The fall of major stock market indices is consistent with the uncertainty surrounding the future course of the economy and the lack of confidence in the markets. In Germany, the DAX index fell by 20,6% in September, while in France the CAC 40 index declined by 13,6%, and in Italy the BCI index declined by 13,7%. In the period from January to September, the DAX, CAC 40 and BCI indices fell by 44,5%, 38,8% and 29,6%, respectively.

In **Britain**, industrial production contracted at an annual rate of 3,5% in August. The inflation rate based on the retail price index (RPIX) decreased to 1,9% in September, remaining below the 2,5% target of the Bank of England, while the inflation rate based on the consumer price index stood at 1,4% in August. As in other European markets, equity values in Britain recorded a substantial decline. Specifically, the FTSE 100 index declined by 9,2% in September. Since the beginning of the year the index fell by 27,2%.

In **Japan**, the central bank decided to purchase bank equities, in an effort to help banks face the risks of non-performing loans as well as the risks of declining capital due to the continuing decline in their share prices. Until now, this policy has not been shown to contribute significantly to a reversal of the prevailing pessimism and uncertainty. The Nikkei index fell by 3,8% in September and by 13,1% in the period from January to September.

Developments in oil markets play an important role in projections of world growth rates. Influenced by the increased likelihood of war in Iraq, the average price of Brent crude oil rose to USD 28,32 per barrel in September, from USD 26,71 per barrel in August.

Table 1

GDP projections

(annual percentage change)[1]

		The Economist Poll GDP forecasts[2]					Lehman Brothers Weekly Outlook - GDP[3]						International Monetary Fund GDP forecast[4]					
	2000[4]	2001	2002		2003		2001		2002		2003		2001		2002		2003	
Britain	3,1	2,2	1,9	(1,7)	2,4	(2,9)	2,0	(1,9)	1,6	(1,8)	2,8	(3,0)	1,9	(2,2)	1,7	(2,0)	2,4	(2,8)
Japan	2,4	-0,4	-0,9	(-0,5)	-0,6	(1,0)	-0,2		-0,7		0,8	(1,0)	-0,3	(-0,4)	-0,5	(-1,0)	1,1	(0,8)
USA	3,8	1,2	1,6	(2,5)	2,2	(3,0)	0,3		2,4		2,6		0,3	(1,2)	2,2	(2,3)	2,6	(3,4)
Euro area	3,5	1,5	2,2	(1,0)	1,6	(2,4)	1,4	(1,5)	0,9	(1,0)	2,5	(2,3)	1,5		0,9	(1,4)	2,3	(2,9)
World	4,7						0,7		1,2		2,2		2,2	(2,5)	2,8		3,7	(4,0)

[1] *Figures in parentheses indicate the corresponding previous month projection, in case of change*
[2] *The Economist, 12 October 2002*
[3] *Lehman Brothers Global Weekly Economic Monitor, 11 October 2002*
[4] *International Monetary Fund, World Economic Outlook, September 2002*

Table 2

Major share indices

(closing prices)

	2001	2002		% change	
	31 Dec.	2 Sep.	1 Oct.	Jan. - Sep.	Sep.
USA					
Dow Jones	10.021,5	8.308,1 *	7.938,8	-20,8	-4,4
S&P 500	1.148,1	878,0 *	847,9	-26,1	-3,4
Nasdaq	1.950,4	1.263,8 *	1.213,7	-37,8	-4,0
Germany					
DAX	5.160,1	3.609,4	2.865,2	-44,5	-20,6
France					
CAC 40	4.624,6	3.272,8	2.828,6	-38,8	-13,6
Italy					
BCI	1.433,4	1.168,7	1.009,1	-29,6	-13,7
Britain					
FTSE 100	5.217,4	4.180,9	3.797,4	-27,2	-9,2
Japan					
Nikkei	10.542,6	9.521,6	9.162,3	-13,1	-3,8

Source: Reuters

** Closing price as at 3 September 2002*

Table 3

Main economic indicators

(percentage change)

	GDP				Industrial production	Retail sales	Unemployment	Inflation[1]
	Q1 (quarterly)	Q1 (annual)	Q2 (quarterly)	Q2 (annual)	August (annual)	August (annual)	August (annual)	August (annual)
Britain	0,0	1,0	2,4	1,3	-3,5	5,0	5,2[3]	1,4
Japan	-0,1	-1,6	2,6	-0,7	1,9	-4,8[2]	5,4	-0,7
USA	5,6	1,5	1,3	2,2	0,4	6,1	5,6[4]	1,8
Euro area	1,3	0,3	1,4	0,6	-0,5[2]	1,4[2]	8,3	2,2[4]

Source: The Economist, 12 October 2002

1 Based on the Consumer Price Index

2 Data of July 2002

3 May - July 2002

4 Data of September 2002

International currencies

The euro seems to have stabilized in the range of USD 0,97 to USD 1,00 in September, after its upward trend, which was more pronounced around the end of June.

The overall weak course of the US dollar in September is partly attributable to the continuing instability in the US equity markets and releases of weak data for the US economy, as well as to the prospect of war between the United States and Iraq. It should be noted that the downward course of the US currency since the beginning of the year and the corresponding recovery of the euro are considered to be a correction, consistent with the economic fundamentals in the United States compared with the euro area.

The pound sterling registered marginal daily fluctuations against the euro and the US dollar, remaining broadly stable. On 30 September 2002, the respective exchange rates were USD 1,57 per GBP and GBP 0,63 per EUR, compared with USD 1,55 per GBP and GBP 0,63 per EUR on 2 September. The negative comments of Andrew Crockett, general manager of the Bank for International Settlements and prospective candidate for the post of Governor of the Bank of England, that Britain will lose its competitiveness if it joins the EMU with a strong exchange rate, seem to have only marginally affected the pound sterling.

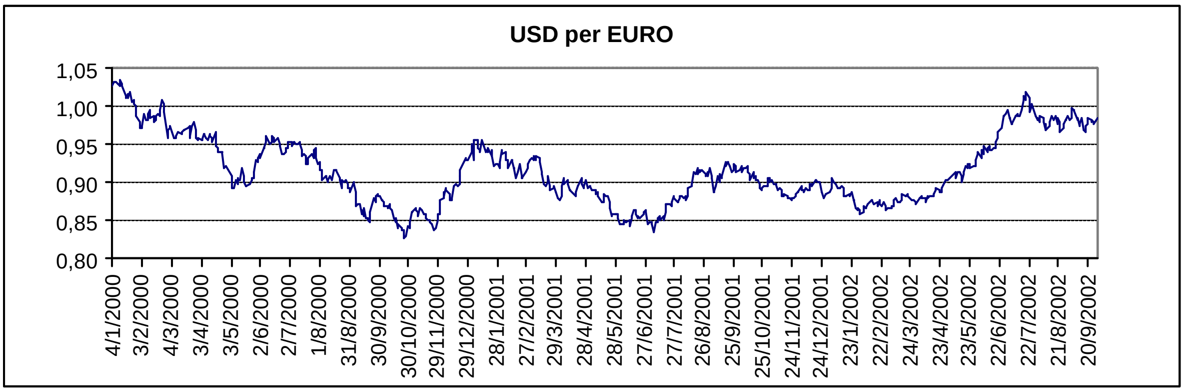
The Japanese yen fluctuated between JPY 117 and 123 per USD in September, presenting a downward course, which reflects investor concern about instability in the country's financial system and the lengthy downturn in the Japanese economy.

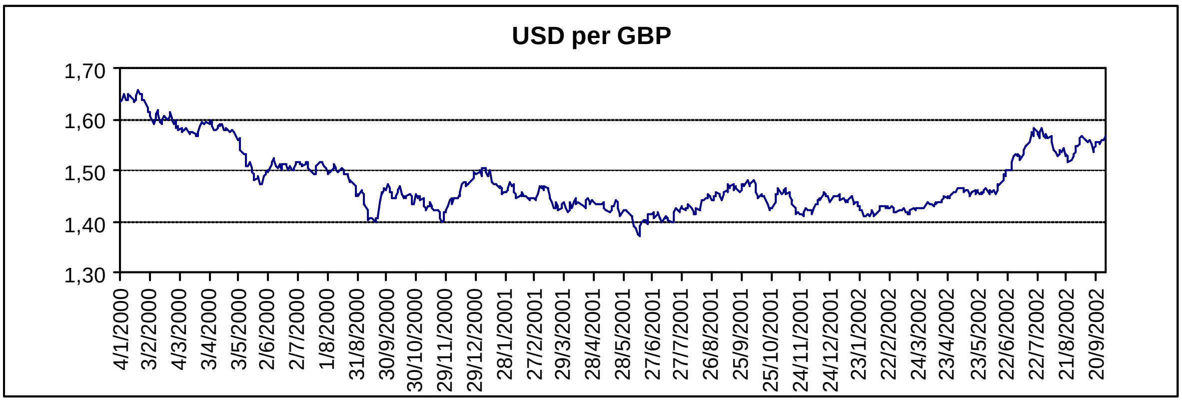
An overview of international exchange rate fluctuations in the recent past until end-September 2002 is presented in chart 1.

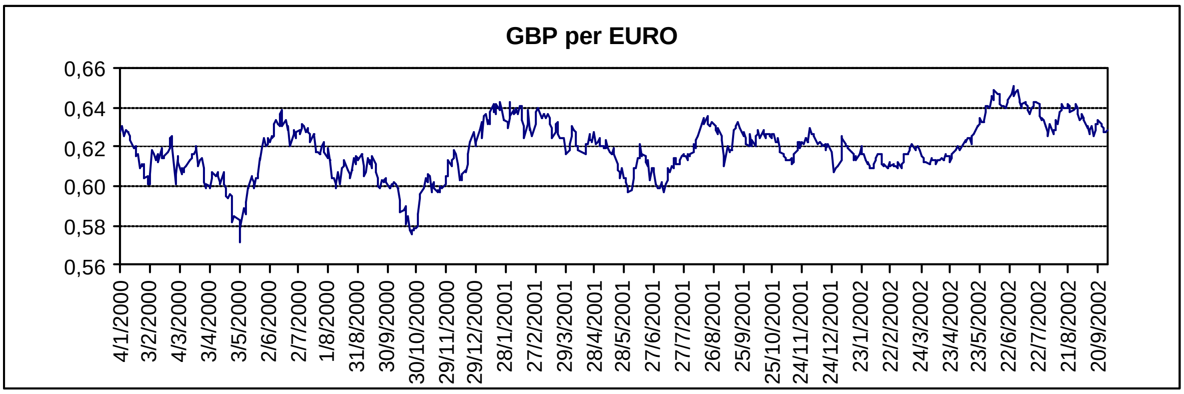
Chart 1

Major international currencies
4/1/2000 - 30/09/2002

(opening, selling values)







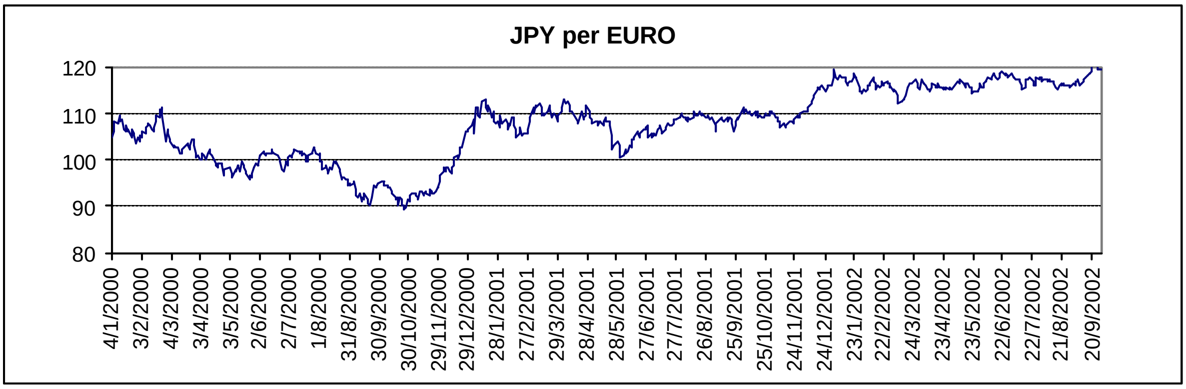


Table 4 shows the forecasts of a large number of internationally recognized financial institutions for the course of international exchange rates in the near future, as recorded in the monthly survey of Reuters. According to table 4, markets expect that the euro will remain strong against the US dollar and the pound sterling in the next twelve months, while the yen is anticipated to stabilize *vis-à-vis* the other currencies.

Table 4

International market expectations for exchange rates
Reuters monthly survey

(October 2002)

	Statistical data	Exchange rate forecasts 1-month	3-month	6-month	12-month
USD per EUR	Mean	0,98	0,99	1,00	1,00
	Minimum	0,95	0,93	0,88	0,85
	Maximum	1,00	1,04	1,07	1,17
	Number of forecasts	56	58	58	57
USD per GBP	Mean	1,56	1,56	1,56	1,56
	Minimum	1,52	1,50	1,46	1,39
	Maximum	1,60	1,63	1,65	1,69
	Number of forecasts	54	56	56	55
JPY per USD	Mean	124,14	123,83	123,58	124,11
	Minimum	120,00	115,00	114,00	110,00
	Maximum	127,10	130,00	134,00	140,00
	Number of forecasts	54	56	56	55
GBP per EUR	Mean	0,63	0,63	0,64	0,64
	Minimum	0,63	0,62	0,60	0,61
	Maximum	0,63	0,64	0,65	0,69

Source: Reuters. The survey was conducted in the period 7-10 October 2002.

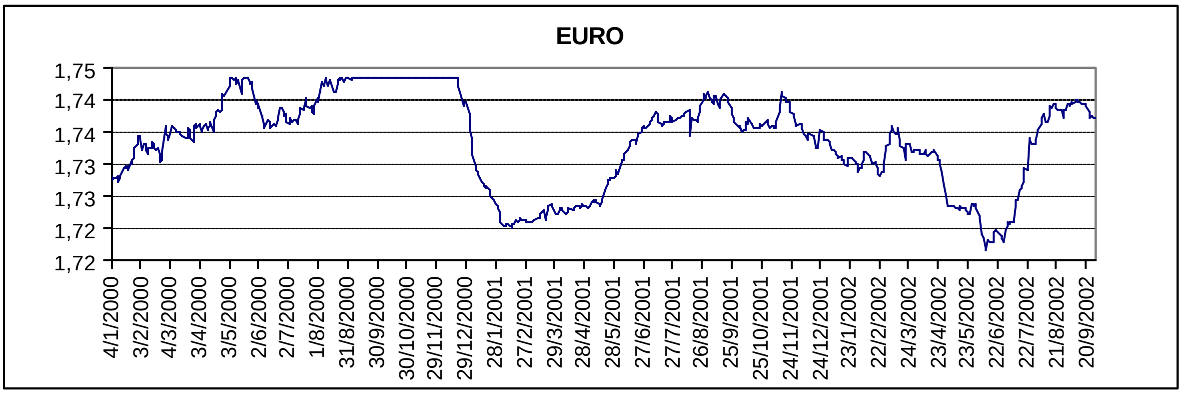
Cyprus pound

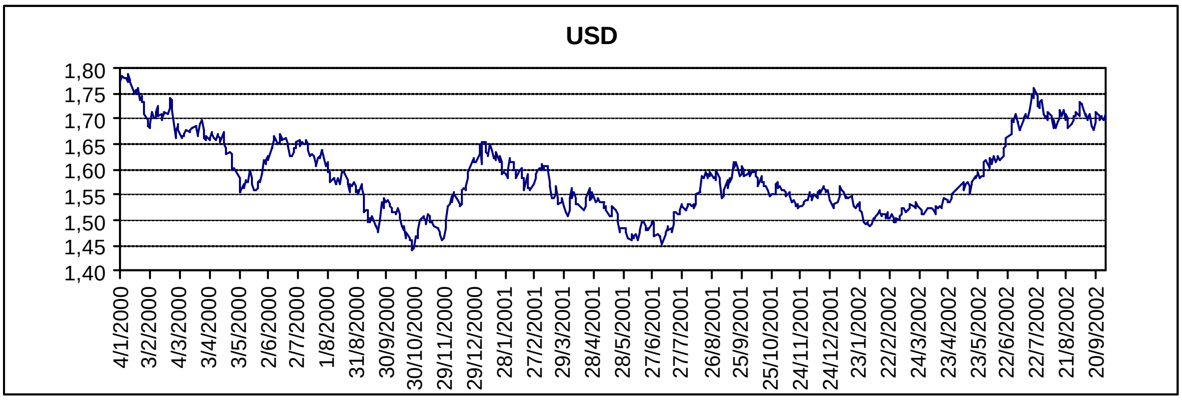
The Cyprus pound fluctuated marginally against the euro in September, reaching EUR 1,7373 on 30 September 2002 (opening selling rate), compared with EUR 1,7393 on 2 September 2002. Reflecting fluctuations in international currencies during September, the Cyprus pound remained broadly stable *vis-á-vis* the US dollar, while it weakened somewhat against the pound sterling and strengthened significantly against the Japanese yen. 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.

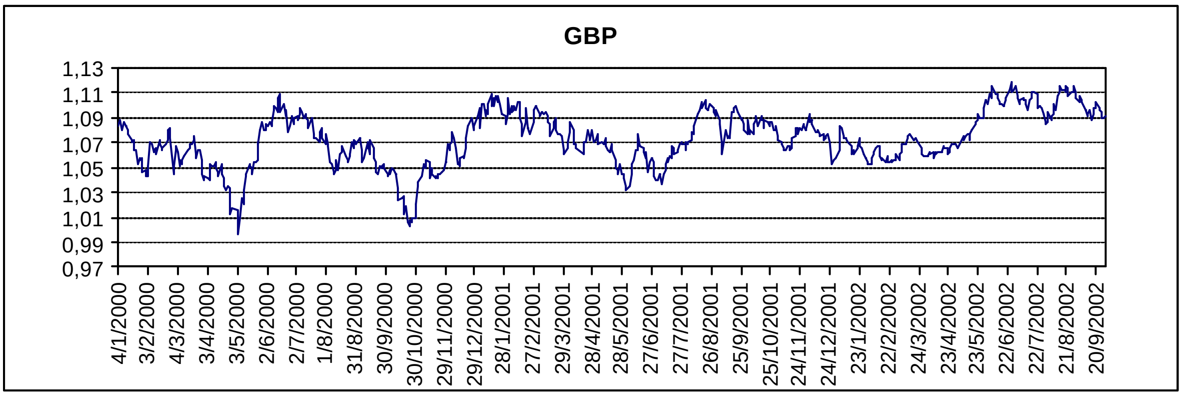
Chart 2

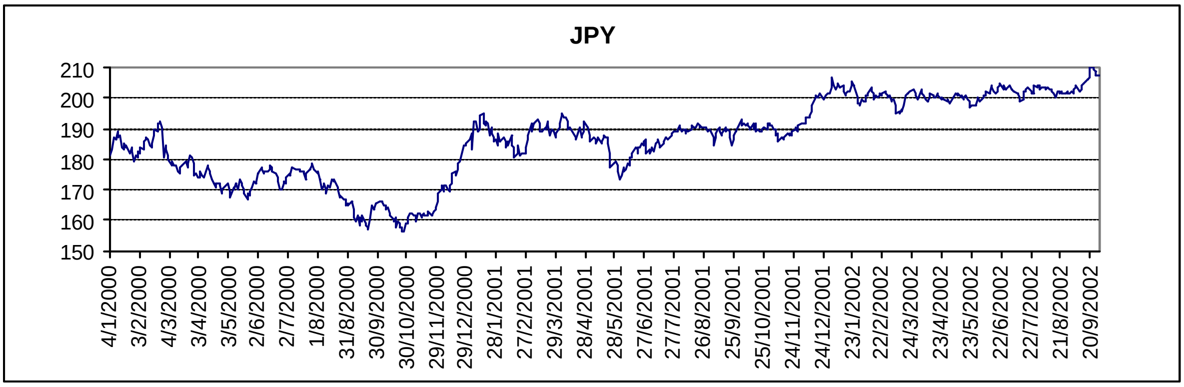
Cyprus Pound against major international currencies
4/1/2000 - 30/09/2002

(opening, selling values)









As regards the domestic foreign exchange market, the results of the fixing sessions held until 30 September 2002, based on transaction date, are summarized in table 5. As this table shows, between 1 January 2002 and 30 September 2002, net foreign exchange inflows equivalent to £183,18 million were recorded, compared with inflows of £462,64 million in the first nine months of 2001. Foreign exchange inflows, partly due to seasonal factors, continued in September and reached £8,83 million, compared with £30,28 million in August.

Overall, including interventions and other operations in the interbank market (specifically, execution of forward foreign exchange contracts), between 1 January 2001 and 30 September 2002, the Central Bank absorbed from the banking system foreign exchange equivalent to £896,53 million. Over 50% of these inflows correspond to borrowing in foreign currency by residents of Cyprus from domestic banks, especially during 2001. It is pointed out that interventions by the Central Bank in the domestic foreign exchange market decreased markedly in the first nine months of 2002 to £233,23 million, compared with £613,0 million in the corresponding period of 2001. Daily purchases and sales of foreign exchange by the Central Bank from domestic banks since 1999 are shown in chart 3.

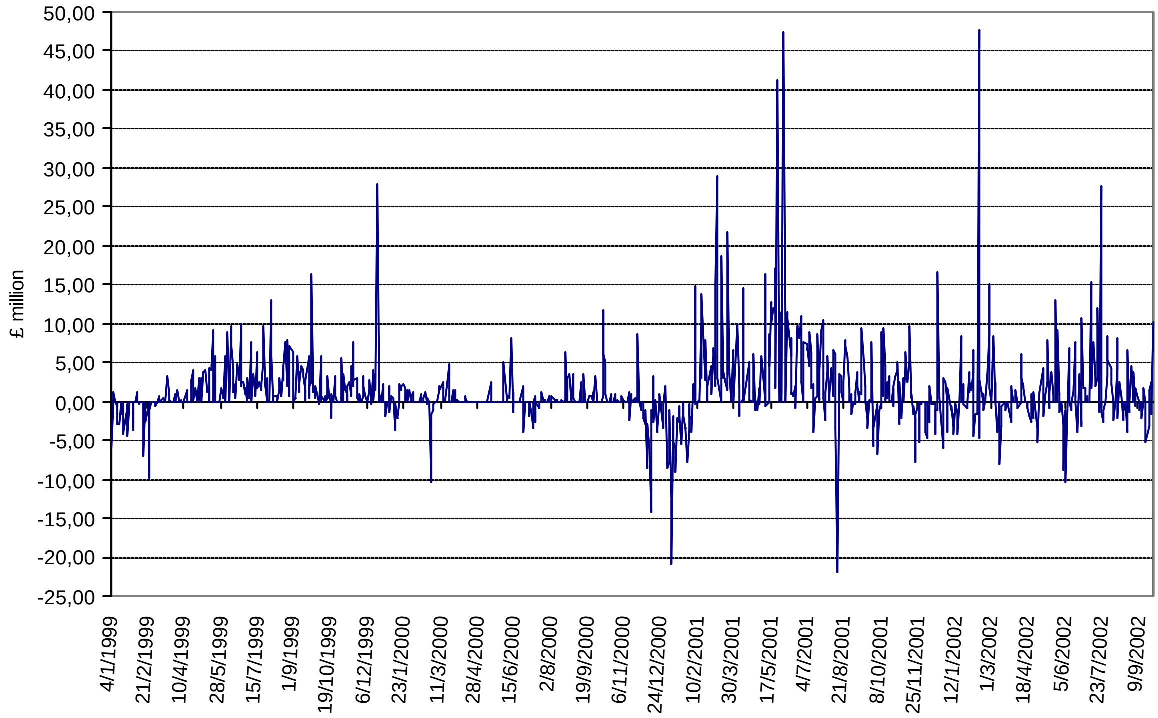
Table 5

Summary of results of fixing sessions

Month	Average fixing exchange rate Foreign currency per Cyprus pound (last day of period)			Purchases (+) / Sales (-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency *(millions)*			In Cyprus pounds *(millions)*
2001	Euro	US dollar	Pound sterling	Euro	US dollar	Pound sterling	
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	6,35	9,20	10,70
December	1,7387	1,5380	1,0622	-7,60	-3,05	3,50	-2,74
		Total 2001		**756,95**	**65,55**	**22,40**	**499,05**
2002							
January	1 ,7347	1,4977	1,0612	-13,45	-3,60	4,60	-5,76
February	1,7381	1,5053	1,0631	39,70	8,10	4,90	32,89
March	1,7374	1,5160	1,0626	-6,00	0,00	-1,40	-4,75
April	1,7287	1,5563	1,0685	-18,70	-0,80	10,30	-1,65
May	1,7272	1,6192	1,1045	19,10	20,85	19,50	42,07
June	1,7249	1,7189	1,1201	-12,65	-3,75	4,00	-5,98
July	1,7402	1,7047	1,0890	152,45	-1,00	-0,10	87,25
August	1,7435	1,7192	1,1078	41,00	11,60	-0,10	30,28
September	1,7442	1,7187	1,0988	12,10	3,25	0,0	8,83
		Total 2002		**213,55**	**34,65**	**41,70**	**183,18**

Chart 3

Daily purchases / sales of foreign exchange by the Central Bank from the domestic banks 4/1/1999-30/9/2002



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

2.2 MONETARY DEVELOPMENTS*

In the context of its anti-inflationary policy, the Central Bank continued to intervene in the money market in August, absorbing part of the surplus liquidity of the banking system through deposit collection auctions (depos)[1].

In September, there was only one such auction. The distinct decline in foreign exchange inflows, which reached £8,8 million in September, down from £30,3 million in August, contributed to the moderation of surplus liquidity conditions.

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

[1] The 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 fifteen days.

Chart 4

M2 growth

(annual percentage changes, monthly data)

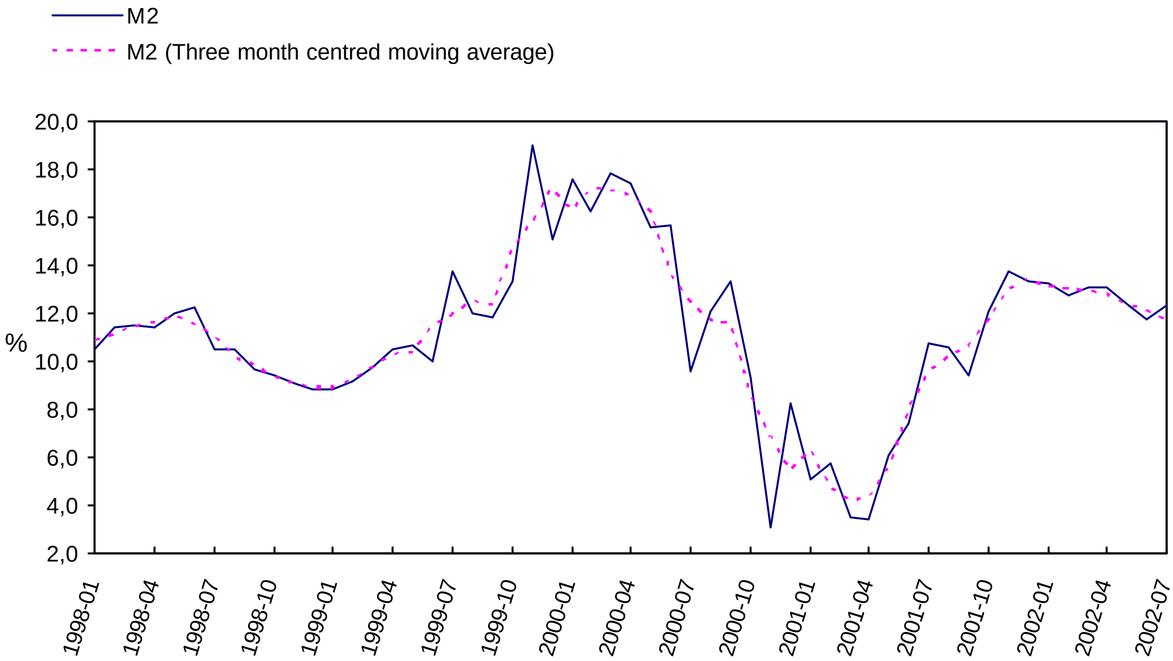
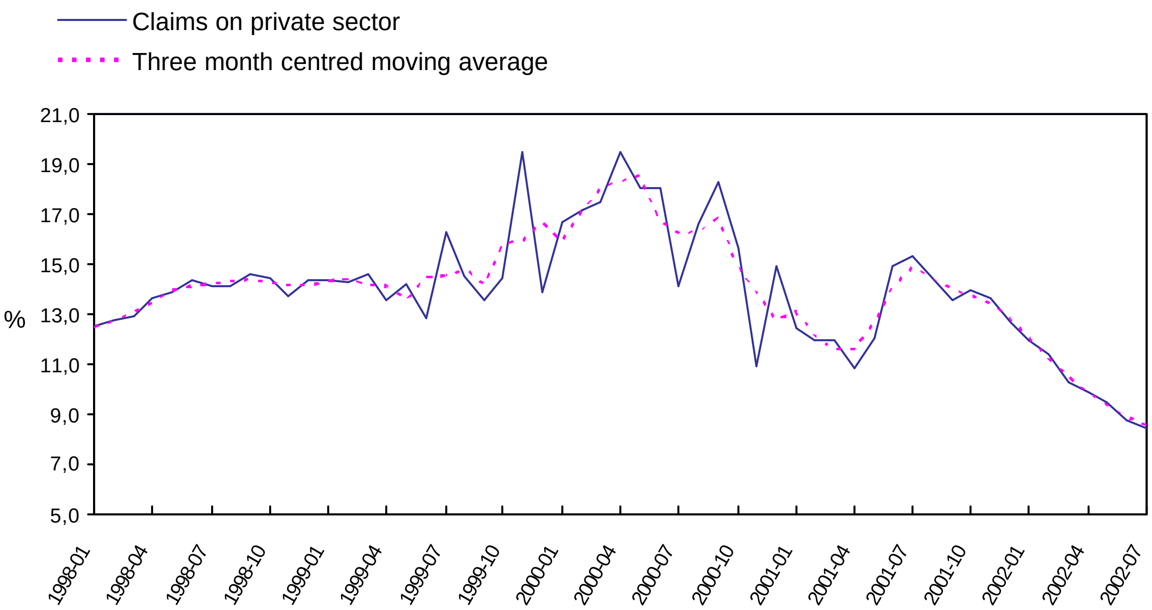


Chart 5

Growth of claims on private sector

(annual percentage changes, monthly data)



The annual growth rate of total liquidity (M2) slowed in August, compared with the previous month, reaching 11,2%. The respective growth rate in August 2001 was 10,5% (table 6). The three-month moving average of the annual growth rates of total liquidity also registered a slowdown, declining from 12,1% in the period from May to July to 11,7% in the period from June to August. As seen in chart 4, the growth rate of total liquidity has shown a slightly downward trend since November 2001.

Table 7 presents the factors affecting total liquidity. As this table shows, net foreign assets as well as claims on the private sector decreased in August compared with the previous month, while claims on the public sector and unclassified items increased. In the twelve months to August 2002, the increase in claims on the public sector reached £265,9 million, compared with an increase of £297,5 million in the twelve months to July. In the same period, net foreign assets decreased by £13,1 million, compared with an increase of £105,2 million in July. Credit to the private sector grew by £593,6 million, compared with an increase of £597,0 million in the twelve months to July.

Table 6

Main monetary indicators

(annual percentage change)

	1998	1999	2000	2001	2001 Aug.	2002 July	2002 Aug.
Primary liquidity (M1)	3,4	41,3	4,0	2,0	2,1	-9,1	-8,4
Total liquidity (M2)	8,8	15,1	8,2	13,3	10,5	12,3	11,2
Claims on private sector	14,3	13,9	14,9	12,7	14,4	8,4	8,4

Table 7

Factors affecting total liquidity

(change, Cyprus pounds thousand)

	Aug.	Jan.-Aug.		July	Aug.
	2002	2001	2002	2001/2002	2001/2002
Foreign assets (net)	-52.483	136.791	1.547	105.179	-13.120
Claims on private sector	-15.281	537.991	304.264	596.971	593.575
Claims on public sector	11.159	119.556	46.481	297.479	265.897
Unclassified items	19.024	-364.085	-10.928	-167.838	-85.092
Total Liquidity (M2)	**-37.581**	**430.253**	**341.364**	**831.791**	**761.260**
Primary liquidity (M1) (Money supply)	**-11.629**	**-40.611**	**-149.534**	**-96.665**	**-87.375**
Currency in circulation	-2.837	11.380	14.173	21.290	26.062
Demand deposits	-8.792	-51.991	-163.707	-117.955	-113.437
Secondary liquidity (Quasi-money)	**-25.952**	**470.864**	**490.898**	**928.456**	**848.635**

The annual growth rate of credit to the private sector remained stable at 8,4% in August (table 6). According to the three-month moving average, credit expanded by 8,5% in the period from June to August 2002, somewhat below the growth rate of 8,9% recorded in the period from May to July. The slowdown in bank financing is attributable to subdued demand for loans by the private sector due to the slowdown in economic activity, as well as to stricter bank policies for the assessment of loan applications.

The breakdown of bank credit by sector of economic activity (table 8) shows that in the period from January to August 2002, personal and professional loans, construction, and domestic and foreign trade absorbed the largest part of new credit, amounting to 44,3%, 24,2% and 20,1%, respectively, while in the same period of the previous year personal and professional loans again dominated with a share of 53,4% of new credit. In absolute terms, the amount of new credit channelled to trade in this period decreased from £103,1 million in 2001 to £58,3 million in 2002. The largest decrease was recorded for personal and professional loans, which fell to £128,2 million, compared with £279,1 million in the first eight months of 2001. A smaller decrease was registered in the construction sector, which accounted for £70,0 million of new credit, compared with £82,6 million in the corresponding period of 2001. The decline in new credit for tourism is also noteworthy, from £56,9 million in the first eight months of 2001 to £26,7 million in the same period of 2002. The share of tourism in total new credit decreased somewhat, from 10,9% in the first eight months of 2001 to 9,2% in the corresponding period of 2002.

Developments in credit granted through credit cards in August are also interesting. Domestic expenditure by Cypriots through credit cards expanded by 16,5% compared with the same month of the previous year. At the same time, expenditure abroad by Cypriots through credit cards decreased by 6,0%. Expenditure in Cyprus by foreign card holders increased by 4,0% in August compared with the same month of 2001.

Data on domestic expenditure by Cypriots through credit cards together with data on cheque clearing allow some projections for the retail sales value index, which is not available timely on a monthly basis. As discussed in the *Monetary Policy Report* of September 2002, a composite indicator has been constructed comprising credit card expenditure and cheque clearing, which provides sufficient predictive ability for the movement of the retail sales value index. As shown in chart 6, the composite indicator rose considerably in July, mainly due to discounts in the retail market, and fell in August. Based on this composite indicator, a corresponding movement of the retail sales value index is expected in the same months.

Table 8

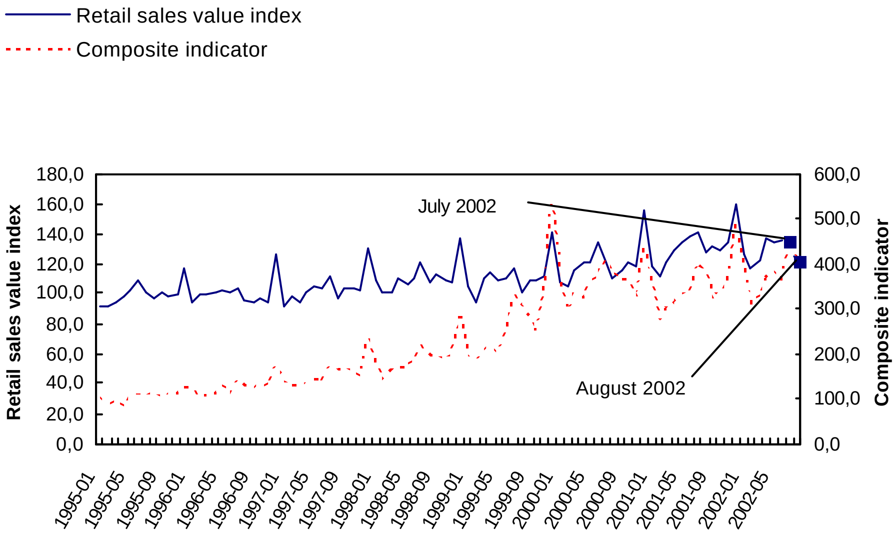
Bank credit by sector

	January - August			
	2001		2002	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations	13.231	2,5	18.035	6,2
Agriculture	-4.268	-0,8	-8.658	-3,0
Mining	1.176	0,2	-1.489	-0,5
Manufacture	-9.235	-1,8	-4.162	-1,4
Transport and communication	2.382	0,5	2.286	0,8
Foreign and domestic trade	103.112	19,7	58.318	20,1
Building and construction	82.565	15,8	70.028	24,2
Tourism	56.901	10,9	26.697	9,2
Personal and professional loans	279.105	53,4	128.224	44,3
Bills discounted: Local	-1.439	-0,3	477	0,2
Foreign	-407	-0,1	-260	-0,1
Total	**523.123**	**100,0**	**289.496**	**100,0**

Credit expansion remained at a low level in September, registering a growth rate of 7,9%. According to provisional data for this month, credit increased by £34,8 million, compared with an increase of £67,3 million in September 2001. Furthermore, provisional data for new credit in the period from 1 to 11 October indicate an increase of £37,6 million, compared with an increase of £34,7 million in the corresponding period of 2001. This increase stemmed mostly from interest charged on loans at the end of the third quarter. In the twelve months to 11 October, the amount of new credit reached £603,0 million, corresponding to an annual growth rate of 8,4%, down from 14,6% in the same period of the previous year.

Chart 6

Retail sales value index and composite indicator



Foreign currency lending to residents of Cyprus slowed in August, reaching £1,8 million, compared with £4,8 million in July and net repayments of £13,0 million in June.[2] The proportion of credit in foreign currency to total credit remained unchanged at 10,2% (table 9). Provisional data for September indicate net repayments of foreign currency loans of the order of £6,9 million. Data for the period from 1 to 11 October also show net repayments of £12,1 million.

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

Table 9

Claims on private sector

(change - 2002, Cyprus pounds million)

	June	July	Aug.
Foreign currency loans to residents	-13,0	4,8	1,8
Claims on private sector	179,2	-26,7	-15,1

(end of period balances, Cyprus pounds million)

	1999	2000	2001	2001 Aug.	2002 July	2002 Aug.
Foreign currency loans to residents	355,2	373,5	729,9	667,7	777,6	779,4
Claims on private sector	5673,5	6517,5	7317,0	7055,5	7652,8	7637,7
Share %	6,3	5,7	10,0	9,5	10,2	10,2

Data on long-term foreign currency loans to Cypriots in the first eight months of the year confirm the increased preference of Cypriots for foreign currencies other than the euro. Foreign currency borrowing by Cypriots has been increasingly denominated in US dollars, Swiss francs and Japanese yen, and thus the proportion of new loans denominated in euros to new credit in foreign currency fell to about 66,0%, with the remainder being roughly equally distributed among the three aforementioned currencies. Last year, by contrast, the euro was the dominant choice, with a proportion of over 80%.

This increased preference for the US dollar, the Swiss franc and the Japanese yen may be attributable to the recent strengthening of the euro and the corresponding weakening of the other three currencies.

In the first eight months of 2002, 42,1% of long-term foreign currency loans were used for construction in Cyprus, 32,2% for refinancing[3] and 17,0% for the acquisition of fixed assets.

[3] Refinancing refers to repayment of existing loans in Cyprus pounds as well as conversion of existing foreign currency loans to a different currency.

Box 1

Credit expansion monitoring*

In accordance with the Financial Programme, the reference value for credit expansion in 2002 has been set at 11% for the whole year. Attainment of the reference value implies that credit as a percentage of GDP will rise to 131% in 2002, from 125% in 2001**.

Credit as a percentage of GDP

	1997	1998	1999	2000	2001	2002
Credit/GDP	100%	106%	113%	119%	125%	131%

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 assess whether the course of credit expansion in each period is within the reference value. To answer this question, three methods are considered:

(1) Annualised growth rate

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

For example, credit expansion in absolute terms from end-December 2001 to end-August 2002 was £304,3 million. This absolute change converted to an annualised growth rate seasonally adjusted gives:

Annualised growth rate (seasonally adjusted ***)	Reference value
9,8%	11%

(2) Twelve-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 in comparison with the same month of the previous year should present a growth rate less than or equal to the reference value, so that credit expansion at the end of the year remains within the specified limits. On the basis of this method, the twelve-month rate of growth in credit to the private sector in August was:

* *Credit expansion includes all banks.*

** *If loans granted by the co-operative credit institutions are included, then total credit as a percentage of GDP rises to 139% in 1997, 145% in 1998, 154% in 1999, 158% in 2000 and 162% in 2001.*

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

	12-month growth rate	Reference value
	8,4%	11,0%
Moving average	8,5%	

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

(3) Monthly distribution method

The Central Bank has estimated that credit could expand by up to £808 million and reach £8150 million at the end of 2002. This amount (reference value) may be distributed in the months of 2002 in accordance with the seasonal pattern of previous years. Monitoring may be effected through the following table, where the first row gives the distribution of credit in accordance with the reference value and the second row gives actual credit to date. As seen in the table , credit expansion until end-August was below the reference value.

Table of bank financing 2002

(Cyprus pounds million)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Reference value*	7359	7431	7529	7550	7578	7658	7676	7646	7712	7753	7795	8150
Actual	7360,6	7394,7	7465,2	7479,5	7518,6	7691,2	7664,3	7649,0				

** Data were seasonally adjusted by the X11 method, including a period of fifteen years. Because the seasonal pattern of banks may have changed during the years, the proportion of credit granted each month in the last six years was also taken into account.*

Money market

Surplus liquidity conditions continued to prevail in the money market in August, but declined substantially in September. Specifically, in August, bank liquidity trends did not change significantly, as the Central Bank's net foreign assets increased and overdrawing by the government declined, primarily on account of liquidity absorption through the bond market. By contrast, the moderation of surplus liquidity conditions in September emanated first from the further decline in government overdrawing and second from the decline in net foreign assets. As shown in table 11, overdrawing by the government decreased to £127,3 million, from £166,4 million in August, while net foreign assets decreased to £1451,0 million, from £1465,0 in the previous month.

Aiming to maintain interest rates consistent with its anti-inflationary policy, the Central Bank intervened in the money market through auctions (depos). In September, in particular, the Central Bank absorbed an average daily liquidity of £392,3 million, compared with £427,1 million in the previous month. This illustrates the substantial decline of excess liquidity in September. The monthly average interest rate reached 3,99% in September, down from 3,91% in the previous month, while the average interest rate at the deposit collection auction stood at 3,92%.

Table 10

Interest rates

(percentages, per annum,
simple average of the weighted averages for the period)

	1999	2000	2001	2001 Sep.	2002 Aug.	2002 Sep.	2002 Oct.*
Interbank (1day)	5,15	5,96	4,93	3,97	3,33	3,72	3,49
Repos	5,45	5,97	6,39				
Reverse repos/depos		4,44	4,59	4,60	3,91	3,99	3,98
Treasury bills (13 weeks)	5,54	5,75	6,00				
Treasury bills (52 weeks)	6,00	6,21	6,35	5,50	4,28	4,28	
Development stocks (2 years)		6,55	6,11		4,54	4,53	4,49
Development stocks (5 years)	7,27	7,45	6,96		5,11	5,09	5,09
Development stocks (10 years)	7,36	7,55	7,66				5,36
Development stocks (15 years)			6,47				5,60

** Up to 23/10/2002*

Table 11

Banking system's liquidity position

(£ million, period averages of daily positions)

		Liquidity - providing factors				Liquidity - absorbing factors						Credit institutions current accounts (MRA)	Base money
			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 liquitity-absorbing operations (additional & special & S.M.E. dep.)	Rev-repos & depos	Currency in circulation	Central Govern. deposits (net)	Other factors (net)	(6+7+9+12)
		1	2	3	4	5	6	7	8	9	10	11	12	13
2000	Sep.	1.028,0	0,0	0,0	4,0	0,4	3,7	0,5	0,0	358,6	48,2	112,1	509,3	868,4
	Oct.	1.018,1	0,0	0,0	18,6	4,3	0,3	0,0	0,0	354,7	-26,8	194,9	517,8	872,5
	Nov.	1.056,5	0,0	0,0	6,3	1,8	3,7	0,0	0,0	341,5	9,8	199,8	509,8	851,2
	Dec.	1.007,1	0,0	0,0	18,9	1,1	4,1	0,5	0,0	353,8	-22,4	184,1	507,0	861,2
2001	Jan.	892,6	10,2	0,0	8,6	1,1	3,9	94,5	0,0	346,9	51,8	-15,9	431,3	876,6
	Feb.	876,0	49,5	0,0	0,5	1,2	12,5	93,9	0,0	336,2	-6,8	47,8	443,6	886,1
	Mar.	991,3	16,3	0,0	5,0	1,0	2,9	93,0	0,0	337,5	38,2	97,0	444,9	878,3
	Apr.	1.075,1	0,0	0,0	18,2	0,7	0,3	90,7	0,0	358,7	0,0	194,4	449,7	899,5
	May	1.109,6	0,0	0,0	28,2	1,2	1,0	84,2	0,0	369,4	58,4	175,7	450,3	904,9
	June	1.316,1	0,0	0,0	0,0	0,0	57,9	79,7	26,4	382,7	132,3	198,2	439,1	959,3
	July	1.379,0	0,0	0,0	1,2	0,0	9,2	79,6	92,0	393,8	159,8	194,5	451,1	933,8
	Aug.	1.333,2	0,0	0,0	0,5	0,0	39,3	79,6	58,6	393,9	125,6	179,4	457,2	970,2
	Sep.	1.359,6	0,0	0,0	0,0	0,0	58,7	79,6	94,8	386,0	89,4	189,3	461,8	986,1
	Oct.	1.358,1	0,0	0,0	2,3	0,1	19,4	79,6	104,7	384,3	58,0	250,0	464,5	947,8
	Nov.	1.372,1	0,0	0,0	2,3	0,0	13,3	79,4	118,5	366,5	54,6	275,5	466,6	925,8
	Dec.	1.334,4	0,0	0,0	3,6	0,0	8,3	79,4	111,9	385,3	10,5	274,6	468,1	941,1
2002	Jan.	1.309,0	0,0	0,0	0,8	0,0	16,4	79,4	174,3	377,6	64,7	124,2	473,1	946,6
	Feb.	1.384,4	0,0	0,0	0,6	0,0	14,5	79,4	131,3	363,9	169,8	137,7	488,6	946,4
	Mar.	1.684,4	0,0	0,0	3,3	0,0	24,8	79,4	189,9	367,4	369,6	167,3	489,2	960,9
	Apr.	1.637,5	0,0	0,0	3,4	0,0	17,6	79,4	267,7	379,4	121,7	284,6	490,7	967,0
	May	1.632,1	0,0	0,0	1,0	0,0	11,2	79,4	287,6	400,1	98,2	263,2	493,4	984,1
	June	1.576,3	0,0	0,0	0,6	0,0	26,0	79,4	366,9	403,1	-16,3	221,6	496,3	1.004,7
	July	1.403,2	0,0	0,0	1,5	0,0	41,5	79,4	405,2	413,5	-212,0	179,6	497,5	1.031,9
	Aug.	1.465,0	0,0	0,0	1,9	0,0	21,9	79,5	427,1	422,7	-166,4	176,7	505,4	1.029,5
	Sep.	1.451,0	0,0	0,0	8,6	0,0	2,2	79,3	392,3	413,0	-127,3	190,8	509,3	1.003,9

As a result of the mitigation of surplus liquidity conditions, the overnight interest rate in the interbank market increased considerably, from an average of 3,33% in August to 3,72% in September. Concerning government securities, no auctions of three-month treasury bills were held in September, and the monthly average interest rate on 52-week treasury bills stood at 4,28%, unchanged since the previous month (table 10). Turning to long-term securities, the average interest rate on five-year bonds was 5,09% in September, compared with 5,11% in August, while no auction for ten-year and fifteen-year bonds took place in the period from August to September 2002.

The most recent auctions of government bonds were held on 15 October 2002; the corresponding interest rates are given in table 10. It is worth noting that in August, domestic long-term real interest rates were, for the first time, lower than the respective European rates. The latest twelve-month average of long-term interest rates fell to 5,37%,[4] from 6,47% in the twelve-months to June, reflecting the reductions in official interest rates during 2001. Concurrently, an increase in domestic inflation was recorded, and consequently real domestic interest rates were below the corresponding European Union rates by 29 basis points. It is noted that in June real domestic interest rates exceeded the European rates by 124 basis points (table 12).

[4] During the reference period, no bids for ten-year bonds were accepted, besides the last auction held on 25 February 2002.

Table 12

Inflation and interest rates of Europe and Cyprus - August 2002

(latest 12 month average)

	Inflation (HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,80	5,10	3,30
Denmark	2,20	5,10	2,90
Germany	1,50	4,90	3,40
Greece	3,80	5,30	1,50
Spain	3,10	5,10	2,00
France	1,80	5,00	3,20
Ireland	4,50	5,10	0,60
Italy	2,40	5,20	2,80
Luxembourg	1,70	4,80	3,10
Netherlands	4,40	5,00	0,60
Austria	1,80	5,10	3,30
Portugal	3,70	5,10	1,40
Finland	2,30	5,10	2,80
Sweden	2,50	5,40	2,90
United Kingdom	1,20	5,00	3,80
Euro zone	2,20	5,00	2,80
EU -15	2,10	5,00	2,90
Cyprus	2,76	5,37	2,61

International and domestic interest rates

The monetary authorities of the largest economies maintained interest rates on hold, primarily due to uncertainty surrounding international economic conditions. As a result of the maintenance of unchanged interest rates by both the European Central Bank and the Central Bank of Cyprus (table 13), the differential between their official interest rates remained at 125 basis points for the marginal lending facility and 25 basis points for the overnight deposit facility.

Table 13

Official interest rates

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

		change
?uropean Central Bank		
(10 October 2002)		
Minimum bid rate on the main refinancing operations	3,25	-
Interest rate on the marginal lending facility	4,25	-
Interest rate on the deposit facility	2,25	-
Bank of England		
(10 October 2002)		
Repo Rate	4,00	-
Federal Reserve System		
(24 September 2002)		
Federal Funds Rate	1,75	-
Discount Rate	1,25	-
Central Bank of Cyprus		
(20 September 2002)		
Minimum bid rate on the main refinancing operations	4,00	-
Interest rate on the marginal lending facility	5,50	-
Interest rate on the deposit facility	2,50	-

Cyprus Stock Exchange

The downtrend of the General Price Index continued in the period from August to September 2002. The decline of the index was accompanied by a decrease in traded volume compared with July. On the last day of August the General Price Index closed at 87,5 points, and on the last day of September it closed at 84,5 points (chart 7). In the period from August to September, the index moved in the range of 82,5 to 89,5 points. The average daily volume was £0,5 million in August, compared with £0,6 million in July, while the average daily number of transactions decreased to 997, from 1046 in July. In September, the average daily volume remained at £0,5 million, while the average daily number of transactions decreased further to 835. All sectoral indices rose in August. By contrast, most indices declined in September. The securities with the largest proportion of the monthly traded volume were the shares of Bank of Cyprus and Popular Bank, which accounted for 15,7% and 8,9% of the traded volume, respectively, in August, and 16,9% and 9,8%, respectively, in September.

Chart 7

Cyprus Stock Exchange (CSE) General Index

August - September 2002

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

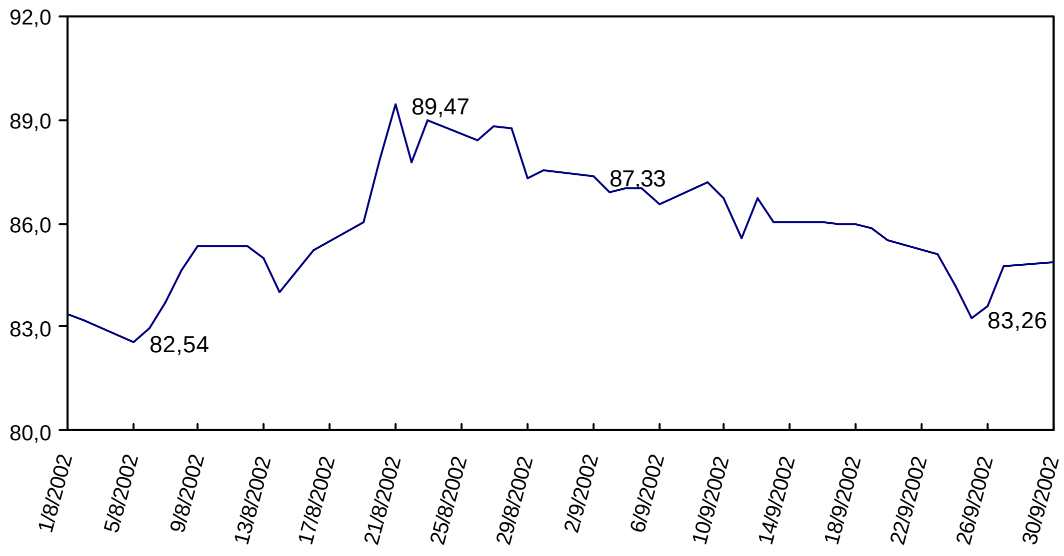


Table 14 shows that capital inflows in the Cyprus Stock Exchange slowed in August. Specifically, purchases of shares on the Cyprus Stock Exchange by non-residents exceeded sales by £44 thousand in August, compared with net purchases of £153 thousand in the previous month. In September, net purchases remained roughly unchanged, with both purchases and sales declining. Tables 11 and 12 in the annex present purchases and sales of shares by non-residents analysed by country of residence.

Table 14

Investments by non-residents on the Cyprus Stock Exchange

(Cyprus pounds; thousand)

	2001	2002		
	Dec.	July	Aug.	Sep.
Purchases	367	161	51	44
Sales	577	8	7	1
Net investments	-210	153	44	43

2.3 INFLATION

Prices increased by 3,41% in September, compared with an increase of 3,77% in August. As table 15 shows, the decrease in the inflation rate is mainly attributable to the decrease in domestic agricultural product prices, the slowdown in domestic industrial goods prices, as well as the continuing decline in the prices of imported goods. By contrast, services prices accelerated marginally. It is pointed out that price increases in July, August and September include the effects of the increase in the VAT standard rate as well as changes in excise duties and thus show a substantial acceleration compared with the first six months of the year.

As regards domestic goods, an important development in September 2002 was the decrease in agricultural product prices by 2,82%, compared with a decrease of 0,4% in the previous month, while electricity prices accelerated. The prices of industrial goods again increased substantially, albeit at a lower rate of 8,81%, compared with 9,59% in August. Electricity prices accelerated in September 2002 compared with August, while fuel prices rose by 21,9% in September, as they did in August. The course of these prices emanated from developments in international oil markets, as well as from the increase in excise duties on fuel and in the VAT standard rate as of 1 July 2002, from 10% to 13%. Indicatively, in the first half of the year, that is prior to the increase in the VAT rate and the rise of oil prices above their levels in the respective months of the previous year, electricity prices fell by 8,73%, while fuel prices remained stable. The average price of Brent crude oil was USD 26, USD 27 and USD 28 per barrel, in July, August and September 2002, respectively, well above the respective prices in 2001. The rise of oil prices is partly attributable to the expected attack on Iraq.

Table 15

Consumer price index by economic origin

(annual percentage change)

		2000	2001	September 2001/2000	August 2002/2001	September 2002/2001
	All items	**4,14**	**1,97**	**2,05**	**3,77**	**3,41**
A	**Domestic goods**	**7,15**	**1,34**	**1,88**	**6,95**	**5,93**
A.1	Agricultural	8,98	4,50	11,16	-0,40	-2,82
A.2	Industrial	4,40	0,78	-0,24	9,59	8,81
A.2.1	*Industrial, non-oil*	*2,45*	*0,10*	*0,48*	*6,87*	*6,02*
A.2.2	*Fuel and gas*	*14,86*	*3,99*	*-3,48*	*21,86*	*21,87*
A.3	Electricity	47,32	-3,23	-3,99	2,13	3,52
B	**Imported goods**	**2,13**	**0,47**	**-0,42**	**-3,13**	**-3,22**
B.1	Motor vehicles	3,78	0,55	-1,10	-10,29	-9,72
B.2	Other imported goods	0,93	0,41	0,09	2,33	1,62
C	**Services**	**2,52**	**3,35**	**3,49**	**4,37**	**4,47**

Prices of imported goods declined further by 3,22% in September 2002, compared with a decrease of 3,13% in August 2002 and 0,42% in September 2001. The prices of motor vehicles fell by 9,72%, owing to the sizeable decrease in excise duties on cars as from 1 July 2002, while prices of other imported goods again increased, albeit at a slower rate, due to the VAT increase.

Finally, services prices rose by 4,47% in September, compared with an increase of 4,37% in August 2002 and 3,49% in September 2001.

As a result of the aforementioned developments, the inflation rate reached 2,81% in the first nine months of 2002, compared with 1,84% in the corresponding period of 2001. This rise stemmed partly from the sharp increase in agricultural product prices in the beginning of the year, and from the increase in the VAT rate and excise duties as of July 2002. A more detailed analysis of developments on the inflation front by economic origin is presented in tables 7 to 10 in the annex.[5]

Turning to prospects for 2002, inflation is expected to be around 3,0% to 3,5%, partly due to the effects of the recently implemented increase in the VAT rate and other indirect taxes. This projection is based on the framework of price analysis by economic origin, as presented above, and the assumption that international oil prices will remain around USD 26 per barrel during the year,[6] while no further wide fluctuations of the Cyprus pound *vis-à-vis* the euro, the US dollar, the pound sterling and the yen will occur. It is also assumed that agricultural product prices will register a small acceleration in comparison with 2001, mostly on account of the large increases recorded in the first four months of the year, followed by price decreases in the remainder of the year.

Taking into account the effect of the tax measures recently implemented, as well as the tax measures that will be implemented as of 1 January 2003 – including a further increase in the VAT standard rate to 15% – the inflation rate in 2003 is expected to rise to around 4% to 4,5%. This preliminary projection is based on the assumption that oil prices will be about USD 25 per barrel and agricultural product prices will increase slightly.

It is pointed out that if inflationary developments, enhanced by increases in input prices as well as wage increases (as a result of the automatic indexation of wages), lead to further spiral increases, this projection may be considered to be optimistic.

[5] Table 7 shows percentage changes in the consumer price index from 2000 until September 2002, and table 8 shows the respective weighted contributions of the particular economic categories to the general index in the same period. In addition, tables 9 and 10 in the annex present the corresponding analysis of recent developments on the inflation front by product category.

[6] According to the latest projection of international markets, oil prices are expected to approach USD 30 per barrel for the remainder of the year, considerably above the prices during the last quarter of 2001.

For purposes of comparison, table 16 presents the latest available monthly data on inflation in Cyprus, the euro area and selected other countries, as well as forecasts for 2002.

Table 16

Inflation : Cyprus and other countries

(annual percentage change in consumer prices)

	Inflation rate	month	forecast for 2002 [1]
Cyprus	3,4	Sept.	3,0 [2]
Euro area	2,2	Sept.	2,2
U.S.A.	1,8	Aug.	1,6
G.Britain	1,4	Aug.	1,9
Germany	1,0	Sept.	1,4
Italy	2,6	Sept.	2,4
Denmark	2,4	Sept.	2,3
France	1,8	Aug.	1,8
Austria	1,9	Aug.	1,7
Belgium	1,3	Sept.	1,6
Spain	3,6	Aug.	3,3
Sweden	2,0	Aug.	2,3
Switzerland	0,5	Sept.	0,7
Japan	-0,9	Aug.	-0,9
Canada	2,6	Aug.	2,0

(1) Source: The Economist

(2) Source: Central Bank of Cyprus

2.4 DOMESTIC ECONOMY

An overview of the domestic economy is presented in table 17, which gives a series of the latest economic indicators. Perhaps the most distinct development in 2002 is the continuing decline in tourist arrivals. In the first eight months of the year, tourist arrivals recorded a sizeable decrease. Receipts from tourism also recorded a decrease, albeit smaller than arrivals, in the first seven months of the year. In parallel, important indicators of supply and demand point to a slowdown in economic activity in the current year compared with 2001, and unemployment continues its upward trend in comparison with the respective months of 2001.

Production

As regards the services sector, tourist arrivals fell by 18,8% in August 2002, compared with an increase of 4,2% in the same month of the previous year. For the first eight months of the year, tourist arrivals registered a decrease of 14,0%, compared with an increase of 4,7% in the corresponding period of 2001. Receipts from tourism in the first seven months of 2002 decreased by 11,1% and are estimated at £606,3 million, while in the same period tourist arrivals declined by 12,9%. The smaller decrease in receipts from tourism, compared with arrivals, is attributable to the increase in expenditure per tourist. According to provisional data for September, tourist arrivals decreased by 6,9%, compared with a decrease of 0,2% in September 2001, while for the period from January to September the decline in arrivals reached 13,0%.

The slowdown in tourism in 2002 is reflected in the decline of business confidence of hotel owners, as portrayed in the Business Trends Survey conducted by the Statistical Service in August 2002. In particular, the proportion of hotels reporting that they considered their current business position as not satisfactory for this time of the year exceeded the proportion of those assessing it as more than satisfactory by 56 percentage points, in contrast to the same month of the previous year, when the proportion of hotels assessing their current position as more than satisfactory exceeded the proportion of those considering it as not satisfactory by 40 percentage points. Furthermore, the proportion of hotels reporting that they expected demand within the coming three months to be lower than normal reached 75%, compared with 4% in the same month of the previous year. Moreover,

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	Sept. 2002	3,4	Sept. 2001	2,1	Jan.-Sept. 2002	2,8	Jan.-Sept. 2001	1,8
Unemployment rate (% of E.A.P)	3,4	3,0	Sept. 2002	2,9	Sept. 2001	2,7	Jan.-Sept. 2002	3,3	Jan.-Sept. 2001	3,0
Fiscal deficit(-)/surplus(+) (% of GDP)	-150,5	-164,3	Jan.-Jun.2002	-100,7	Jan.-Jun.2001	-36,8	Jan.-Jun.2002	-100,7	Jan.-Jun.2001	-36,8
Tourist arrivals (% change)	10,3	0,4	Aug. 2002	-18,8	Aug. 2001	4,2	Jan.-Aug. 2002	-14,0	Jan.-Aug. 2001	4,7
Tourist revenue (% change)	16,5	7,0	Jul. 2002	-16,3	Jul. 2001	18,0	Jan.-Jul. 2002	-11,1	Jan.-Jul. 2001	n/a
Cypriots traveling abroad (% change)	4,2	16,8	?ay 2002	35,6	?ay 2001	-23,2	Jan.-?ay 2002	7,1	Jan.-?ay 2001	14,9
Volume index of retail sales (% change)	5,7	5,9	Jul. 2002	-3,2	Jul. 2001	15,1	Jan.-Jul. 2002	0,5	Jan.-Jul. 2001	4,9
Private car registration (% change)	-6,5	19,4	Sept. 2002	7,6	Sept. 2001	33,6	Jan.-Sept. 2002	19,4	Jan.-Sept. 2001	18,6
Volume index of manufacturing production (% change)	4,0	-2,6	Jul. 2002	-4,3	Jul. 2001	-1,6	Jan.-Jul. 2002	-2,1	Jan.-Jul. 2001	-3,5
Volume index of building permits authorised (% change)	2,6	23,4	Jul. 2002	5,2	Jul. 2001	-1,3	Jan.-Jul. 2002	4,2	Jan.-Jul. 2001	23,4
Value index of building permits authorised (% change)	7,2	26,2	Jul. 2002	4,2	Jul. 2001	12,3	Jan.-Jul. 2002	5,8	Jan.-Jul. 2001	25,6
Local sales of cement (% change)	1,1	11,6	Aug. 2002	-2,4	Aug. 2001	13,6	Jan.-Aug. 2002	9,7	Jan.-Aug. 2001	14,9
Total imports (c.i.f.) (% change)	23,2	2,4	Jun. 2002	-10,2	Jun. 2001	9,0	Jan.-Jun.2002	-0,4	Jan.-Jun.2001	5,2
Imports for home consumption (c.i.f.)[1] (% change)	16,5	8,7	Jun. 2002	-9,5	Jun. 2001	3,8	Jan.-Jun.2002	2,6	Jan.-Jun.2001	14,8
Total exports (f.o.b.) (% change)	9,0	6,1	Jun. 2002	-36,4	Jun. 2001	24,6	Jan.-Jun.2002	-16,9	Jan.-Jun.2001	7,2
Domestic exports(f.o.b.) (% change)	8,4	4,5	Jun. 2002	-26,4	Jun. 2001	24,0	Jan.-Jun.2002	1,9	Jan.-Jun.2001	5,3
Trade deficit (£ million)	-1877,0	-1900,7	Jun. 2002	-156,0	Jun. 2001	-153,4	Jan.-Jun.2002	-988,2	Jan.-Jun.2001	-937,7

[1]Non-oil civil imports

the proportion of hotels reporting that they expected a deterioration in their business position during the next six months exceeded the proportion of those anticipating an improvement by 50 percentage points, compared with a difference of only 9 points in August 2001.

In the secondary sector, both positive and negative developments were recorded. 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 construction in the following few months, rose by 5,2% in July 2002, compared with a decrease of 1,3% in the same month of 2001, while the value index of building permits increased by 4,2%, compared with a rise of 12,3% in July 2001. For the first seven months of 2002, the volume and value indices registered an increase of 4,2% and 5,8%, respectively compared with respective increases of 23,4% and 25,6% in the corresponding period of 2001. However, local cement sales decreased by 2,4% in August 2002, compared with an increase of 13,6% in the same month of 2001. In the first eight months of the year, local cement sales grew by 9,7%, compared with a growth rate of 14,9% in the corresponding period of the previous year.

The signs for manufacturing are still negative. The volume index of manufacturing production declined by 4,3% in July 2002, compared with a decrease of 1,6% in the same month of the previous year. For the first seven months of 2002, the index decreased by 2,1%, compared with a decrease of 3,5% in the corresponding period of 2001. The time of recovery from the observed downturn in manufacturing is difficult to predict. The performance of manufacturing by product category is shown in table 18.

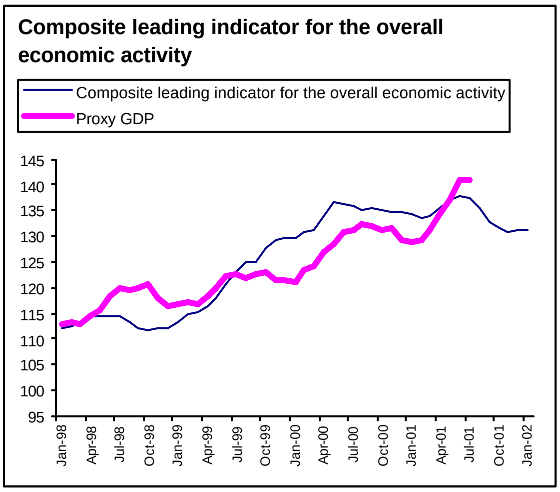
Table 18

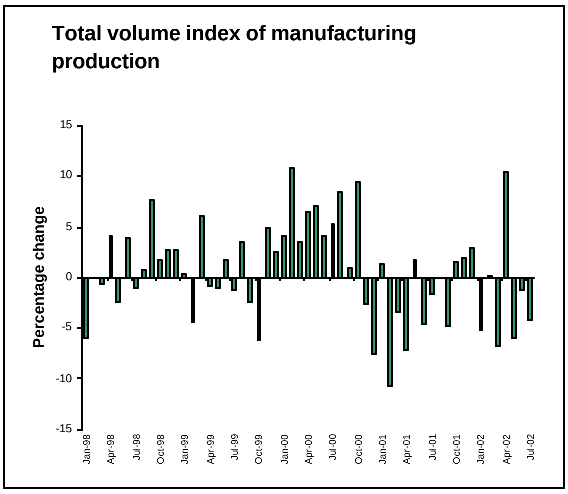
Manufacturing production volume index

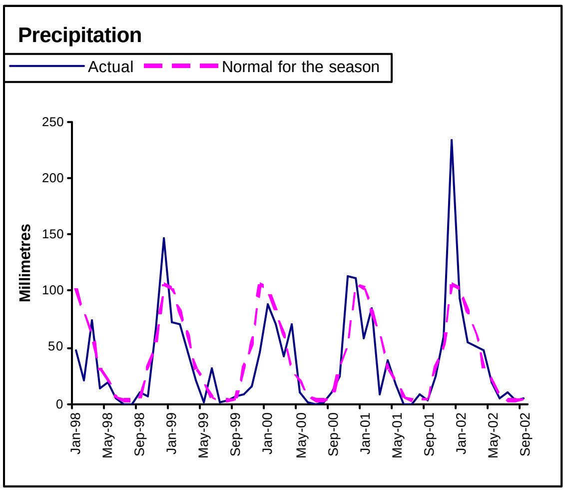
(percentage change by category)

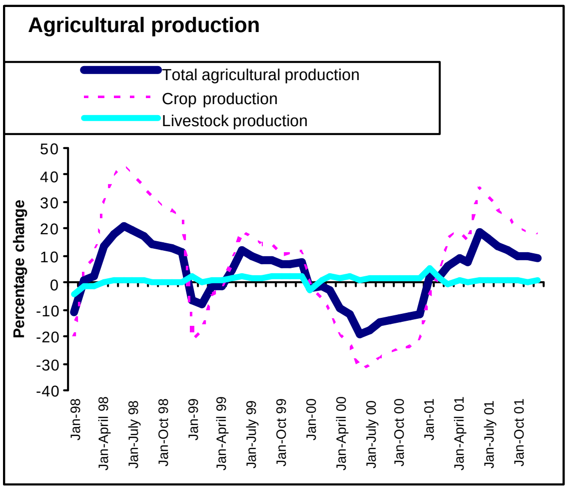
	July 01/00	July 02/01	Jan.-Jul. 01/00	Jan.-Jul. 02/01
General index	**-1,6**	**-4,3**	**-3,5**	**-2,1**
Food products, beverages & tobacco	-9,7	-12,6	-7,9	-8,8
Textiles & textile products	-1,2	-32,7	-2,8	-9,4
Leather and leather products	-11,4	-12,0	-6,9	-4,6
Wood & wood products	8,8	-4,9	-3,7	-1,9
Paper, paper products, publishing & printing	5,5	-4,5	7,0	-2,8
Refined petroleum products	0,1	-10,6	-0,7	-3,1
Chemicals, chemical products and man-made fibres	13,0	6,9	6,7	5,0
Rubber and plastic products	-4,6	9,2	-5,7	5,8
Other non-metallic mineral products	5,3	14,1	1,7	8,8
Basic metals & fabricated metal products	10,9	7,5	-0,4	6,7
Machinery and equipment n.e.c.	4,4	6,3	2,3	0,6
Electrical & optical equipment	12,3	-1,0	-7,3	5,9
Transport equipment	-10,1	29,3	-22,9	26,7
Manufacturing n.e.c.	1,0	4,0	-8,1	-1,5

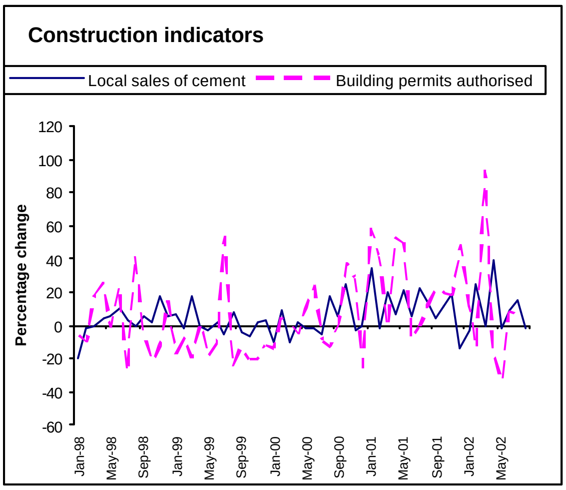
Chart 7


Composite leading indicator for the overall economic activity
Composite leading indicator for the overall economic activity
Proxy GDP


Total volume index of manufacturing production
Percentage change


Precipitation
Actual
Normal for the season
Millimetres


Agricultural production
Total agricultural production
Crop production
Livestock production
Percentage change


Construction indicators
Local sales of cement
Building permits authorised
Percentage change

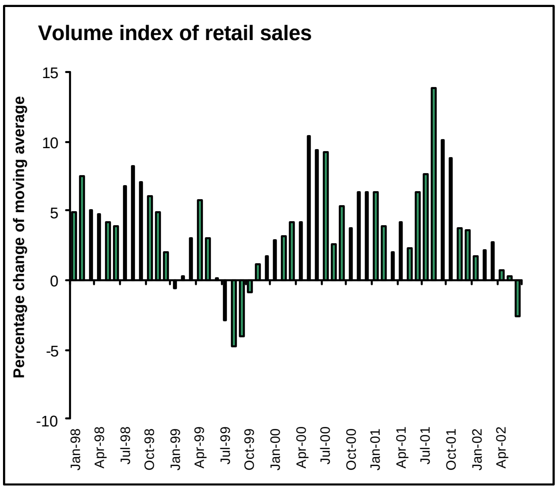
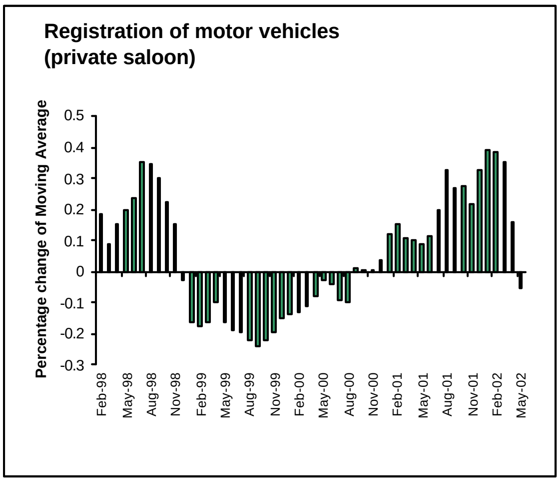
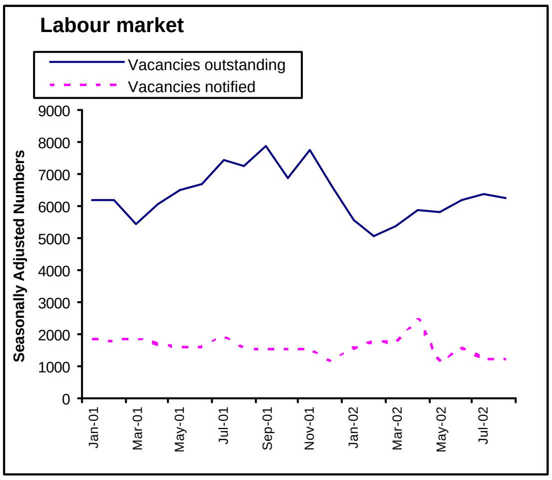
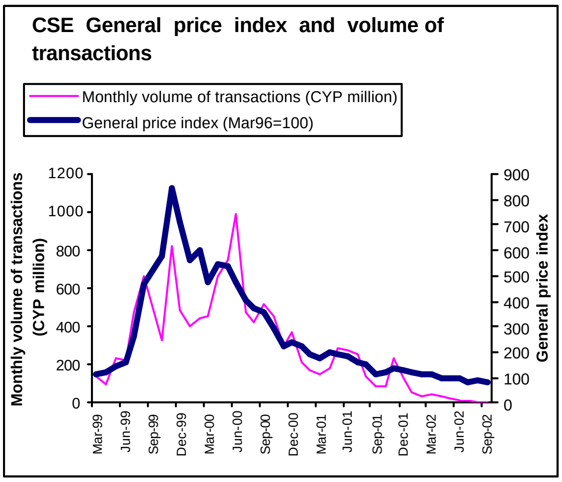
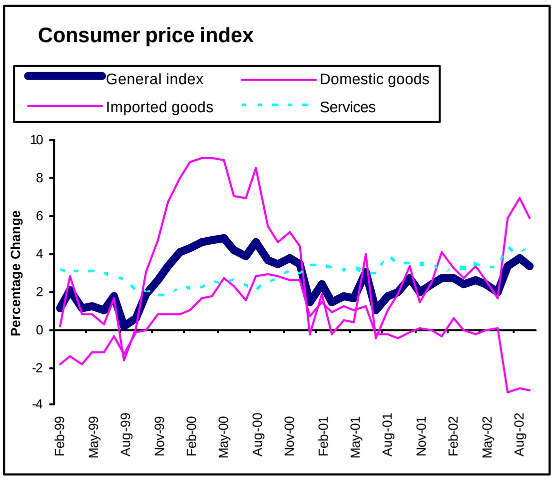

Volume index of retail sales
Percentage change of moving average

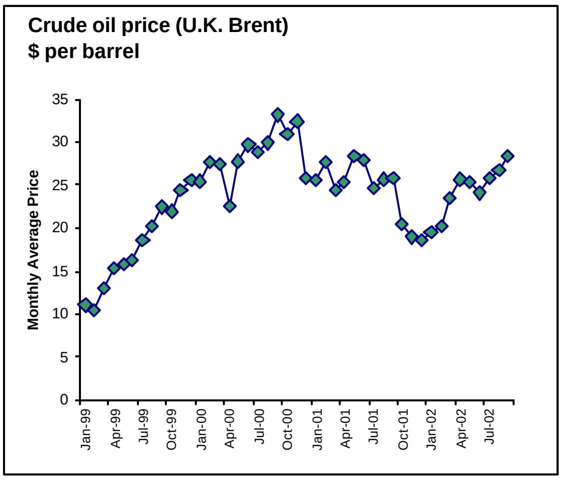
Chart 8

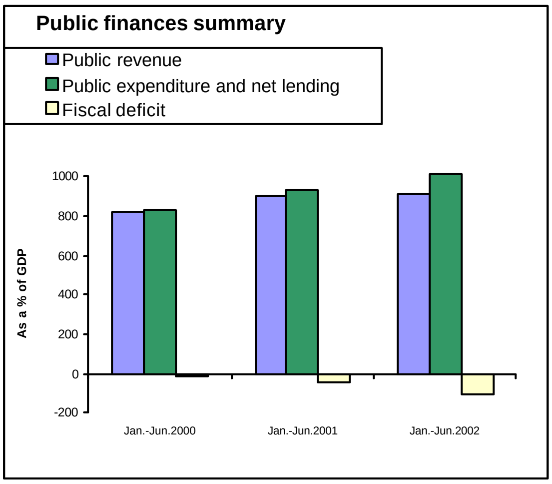

Registration of motor vehicles
(private saloon)
Percentage change of Moving Average
0.5
0.4
0.3
0.2
0.1
0
-0.1
-0.2
-0.3
Feb-98
May-98
Aug-98
Nov-98
Feb-99
May-99
Aug-99
Nov-99
Feb-00
May-00
Aug-00
Nov-00
Feb-01
May-01
Aug-01
Nov-01
Feb-02
May-02


Labour market
Vacancies outstanding
Vacancies notified
Seasonally Adjusted Numbers
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
Jan-01
Mar-01
May-01
Jul-01
Sep-01
Nov-01
Jan-02
Mar-02
May-02
Jul-02


CSE General price index and volume of transactions
Monthly volume of transactions (CYP million)
General price index (Mar96=100)
Monthly volume of transactions (CYP million)
General price index
1200
1000
800
600
400
200
0
900
800
700
600
500
400
300
200
100
0
Mar-99
Jun-99
Sep-99
Dec-99
Mar-00
Jun-00
Sep-00
Dec-00
Mar-01
Jun-01
Sep-01
Dec-01
Mar-02
Jun-02
Sep-02


Consumer price index
General index
Domestic goods
Imported goods
Services
Percentage Change
10
8
6
4
2
0
-2
-4
Feb-99
May-99
Aug-99
Nov-99
Feb-00
May-00
Aug-00
Nov-00
Feb-01
May-01
Aug-01
Nov-01
Feb-02
May-02
Aug-02


Crude oil price (U.K. Brent)
$ per barrel
Monthly Average Price
35
30
25
20
15
10
5
0
Jan-99
Apr-99
Jul-99
Oct-99
Jan-00
Apr-00
Jul-00
Oct-00
Jan-01
Apr-01
Jul-01
Oct-01
Jan-02
Apr-02
Jul-02


Public finances summary
Public revenue
Public expenditure and net lending
Fiscal deficit
As a % of GDP
1000
800
600
400
200
0
-200
Jan.-Jun.2000
Jan.-Jun.2001
Jan.-Jun.2002

Consumption

Private consumption slowed significantly in the first seven months of 2002. The retail sales volume index increased by 0,5% in the period from January to July 2002, compared with an increase of 4,9% in the same period of the previous year. In July, in particular, the index declined by 3,2%, compared with a rise of 15,2% in the same month of 2001.

Private saloon car registrations, which provide another important indicator of consumer behaviour, showed wide fluctuations in recent months. Reflecting the inclusion in the tax reform of a provision for a decrease in excise duties on saloon cars, which started to be publicly discussed in mid-May, registrations of private saloon cars increased marginally by 0,6% in May and fell by 38,6% in June. Following the implementation of the tax reform as of 1 July 2002, which included a considerable decrease in excise duties on cars, sales of cars rebounded and grew by 46,2%, 24,6% and 7,6% in July, August and September 2002, respectively. For the period from January to September 2002, car registrations increased by 19,4%, compared with an increase of 18,6% in the corresponding period of 2001.

Developments in imports for home consumption (excluding imports of military equipment and fuels) seem consistent with the observed slowdown in domestic demand, as well as the subdued demand for loans previously discussed. These imports increased by 2,6% in the first half of 2002, compared with a growth rate of 14,8% in the first half of 2001. The number of Cypriots traveling abroad also registered a significant deceleration. Specifically, in the first five months of 2002, the number of Cypriots traveling abroad increased by 7,1%, compared with an increase of 14,9% in the corresponding period of 2001.

Table 19

Retail sales volume index

(percentage change by category)

	July 01/00	July 02/01	Jan.-Jul. 01/00	Jan.-Jul. 02/01
General index	**15,1**	**-3,2**	**4,9**	**0,5**
Food, drinks and tobacco	3,8	-7,9	4,5	-7,7
Clothing and textiles	-5,8	0,7	-1,5	3,1
Footwear & leather products	9,8	-3,5	2,7	2,0
Electrical goods & appliances	-5,5	-12,3	-9,8	5,4
Vehicles, machinery & spare parts	52,7	4,1	17,2	7,3
Supermarkets	2,6	-11,1	0,3	-4,2
Pharmacies	9,1	-0,6	5,1	3,9
Furniture	33,9	-27,3	4,2	6,1
Petrol stations	4,4	15,3	0,2	3,2
Toys	8,8	-16,6	0,4	1,4

Confidence indicators

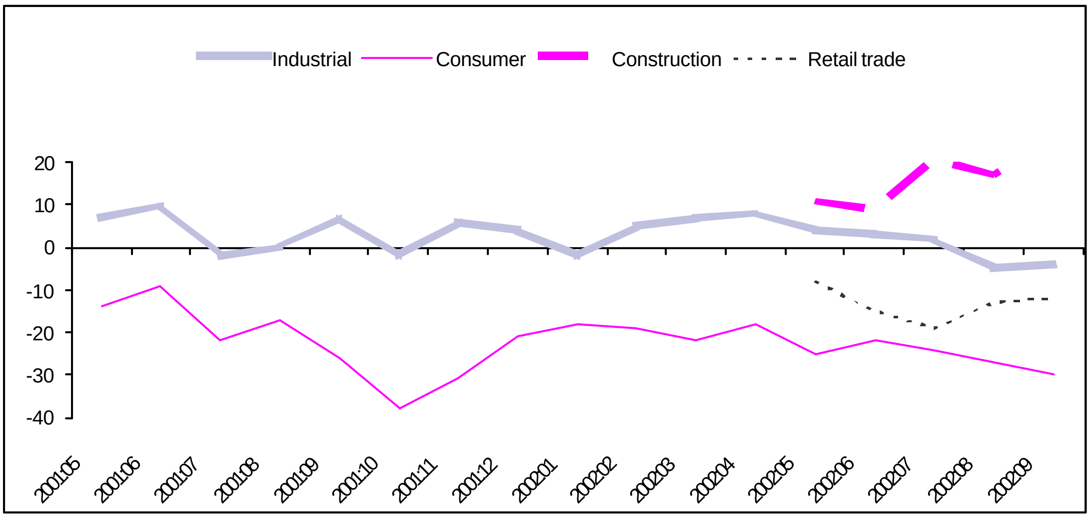
The European Commission publishes on a monthly basis a consumer confidence indicator, an industrial confidence indicator, a construction confidence indicator and a retail trade confidence indicator for the European Union (EU) member states as well as the accession countries. The data refer to the end of each month and are based on studies conducted by the national statistical (and other) institutes and harmonised by the European Commission.

According to these data, in September compared with August, the industrial confidence indicator declined by 2 percentage points in the EU, while it rose by 3 points in the accession countries. In Cyprus, the industrial confidence indicator increased by 1 percentage point. At the same time, the consumer confidence indicator rose by 2 points in the EU, and fell by 3 points in Cyprus, while the average for the accession countries remained unchanged. The construction confidence indicator also registered a rise of 2 points in the EU, while in Cyprus the rise of this indicator reached 8 points. For the accession countries on average, the indicator declined by 1 point. Finally, the retail trade confidence indicator fell by 1 point in the EU and rose by 1 point in Cyprus, while the average for accession countries remained unchanged.

Chart 9

Confidence indicators

(points,end of month)



Labour market

According to the latest available data, the number of registered unemployed increased by 9,7% in September 2002, while the unemployment rate, as a percentage of the economically active population, rose to 2,9%, compared with 2,7% in the same month of the previous year. For the first nine months of the year, the number of registered unemployed increased by 12,1%, compared with a decrease of 17,2% in the corresponding period of 2001, and the unemployment rate rose from 3,0% to 3,3%. A rise in unemployment for the first nine months of the year was recorded in nearly all sectors of the economy. Rising unemployment has been observed since November 2001 and is consistent with the recorded slowdown in overall economic activity, in comparison with 2001.

Public finances

According to the latest available data from the Ministry of Finance, the fiscal deficit increased to £100,7 million in the first half of 2002, compared with £36,8 million in the first half of the previous year. Public revenue slowed significantly, increasing by 2,1% compared with 9,2% in the first half of 2001. Public expenditure also registered a deceleration, growing by 8,8%compared with 12,4% in the same period of the previous year.

Taking a more detailed look at public expenditure, current expenditure decelerated, while capital expenditure fell. Among the categories of current expenditure, a slowdown was registered in wages and salaries, current transfers, social pension payments, interest payment and social security fund payments, while subsidies decreased. As regards capital expenditure, both investment and capital transfers decreased.

Turning to public revenue, a substantial deceleration in tax receipts was recorded. Partly reflecting the slowdown in economic activity in 2002, both direct and indirect tax receipts decelerated, while social security fund contributions accelerated. As regards direct taxes, a large deceleration in income tax receipts was recorded. Among indirect taxes, VAT receipts slowed substantially and excise duties decreased. At the same time, import duties accelerated, apparently in part due to increased imports of cars in the first months of 2002, in anticipation of the increase in the VAT rate. Finally, other revenues and foreign grants declined. Developments in public finances are shown in table 20.

Table 20

Public finances summary Jan.- Jun. 2002

(percentage change over the previous year)

	Jan-Jun.2001	Jan-Jun.2002	Jan-Jun.2001	Jan-Jun.2002
	pounds million		% change	
Total revenue and grants	**897,4**	**915,8**	**9,2**	**2,1**
Direct taxes	259,8	267,2	17,7	2,9
Income tax	181,1	191,0	41,2	5,5
Indirect taxes	359,9	371,7	13,6	3,3
Value added tax	167,3	178,0	29,2	6,4
Excise taxes	90,0	88,9	11,1	-1,1
Import duty	33,1	36,1	5,8	8,9
Social security funds contributions	130,8	150,0	10,4	14,7
Other revenues	146,0	126,3	-11,0	-13,5
Foreign grants	0,9	0,6	-44,9	-37,6
Total expenditure and net lending	**934,1**	**1016,4**	**12,4**	**8,8**
Current expenditure	850,3	937,9	12,1	10,3
Goods and services	356,1	401,2	6,4	12,6
Wages and salaries	253,1	269,4	9,5	6,4
Current transfers	202,9	206,5	12,7	1,8
Social pension	11,9	12,5	9,9	5,1
Social security funds payments	129,8	146,6	13,7	12,9
Subsidies	30,6	15,5	53,4	-49,2
Interest	154,8	155,7	8,8	0,6
Capital expenditure	75,7	70,8	10,2	-6,4
Investment	57,7	53,2	12,2	-7,8
Capital transfers	18,0	17,6	4,0	-1,8
Net lending	8,2	7,6	82,1	-6,5
Fiscal surplus (+)/deficit(-)	**-36,8**	**-100,7**	**275,3**	**173,6**

2.5 EXTERNAL TRANSACTIONS

According to data released by the Statistical Service, non-oil civil imports for home consumption (i.e. imports for home consumption excluding imports of fuels and military equipment) registered a significant slowdown in the first half of 2002, compared with the first half of the previous year. Domestic exports also slowed in the first half of 2002, as a result of a sizeable decrease recorded in June, which reversed the uptrend recorded in the first five months of the year.

Trade in goods

Table 21 presents an overview of the trade balance for the first half of 2002, including provisional data for June.

Total imports decreased by 0,4% in the first half of 2002, compared with an increase of 5,2% in the first half of the previous year. Non-oil civil imports for home consumption also recorded a marked slowdown, as they increased by 2,6%, compared with a growth rate of 14,8% in the first half of 2001.

VAT receipts from imports of goods[7] increased substantially in August and September, due to the 3% increase in the VAT standard rate. Specifically, VAT receipts from imports increased by 19,2% in August and by 35,0% in September, compared with the respective months of 2001.

Turning to total exports, the provisional data indicate a continuing decline in June 2002, mainly due to the fall of re-exports. The decrease in total exports was of the order of 16,9% in the first half of 2002, compared with an increase of 7,2% in the first half of 2001, while re-exports fell by 27,7%. In parallel, domestic exports slowed significantly, registering a growth rate of 1,9% in the first half of 2002, compared with a growth rate of 5,3% in the first half of the previous year.

Based on the aforementioned provisional data, the crude trade deficit reached £988,2 million in the first half of the year, compared with a deficit of £937,7 million in the first half of 2001.

For year 2002 as a whole, a slowdown in imports for home consumption is expected, primarily due to the slowdown in economic activity compared with the previous year. The latest available data for the first half of the year provide a sufficient indication of trends for the whole year.

Tables 22 and 23 present the most recent data on the breakdown of imports for home consumption and domestic exports by category of goods, which cover the period up to May 2002.

Considering imports for home consumption, table 22 shows that in the period from January to May 2002, imports of capital goods declined by 10,6%, compared with an increase of 27,2% in the corresponding period of the previous year. By contrast, a sizeable increase of 30,5% was recorded in imports of transport equipment and parts thereof, due to the purchase of an

[7] VAT is imposed on all goods cleared through customs for the domestic market. As of January 2001, no imports are exempted, while previously goods imported by semi-government organisations were exempted from VAT payment.

aircraft by Cyprus Airways in May. Imports of consumer goods slowed significantly, with a growth rate of 8,1%, compared with 13,9% in the corresponding period of 2001, while imports of intermediate inputs also decelerated, increasing marginally by 0,1%, compared with a growth rate of 13,5% in the first five months of 2001. Overall, non-oil civil imports for home consumption increased by 5,0% in the first five months of 2002, compared with an increase of 17,3% in the corresponding period of 2001. The provisional data for June indicate that the slowdown was more pronounced for the first half of 2002.

Domestic exports (table 23) rose by 10,6% in the period from January to May 2002, compared with a marginal increase of 0,7% in the corresponding period of 2001. This increase emanated mostly from the increase in exports of both agricultural and industrial products, especially pharmaceuticals.

Table 21

Trade balance data[1]

(Cyprus pounds in millions)

	2001	2001/2000 % change	2002 Jan. - June	2001/2000 % change Jan. - June	2002/2001 % change Jan. - June
Total imports (cif)	2.528,7	2,4	1.261,6	5,3	-0,4
Imports for home consumption (cif)	2.176,8	6,9	1.133,9	8,6	6,0
Non oil civil imports for home consumption (cif)	*1.813,0*	*8,7*	*944,7*	*14,8*	*2,6*
Imports destined for re-exports	*351,9*	*-18,8*	*127,7*	*-9,9*	*-35,2*
Total exports	628,0	6,1	273,4	7,2	-16,9
Domestic exports (fob)	233,9	4,5	129,9	5,3	1,9
Re-exports (fob)	337,0	12,5	126,4	9,5	-27,7
Shipstores	57,1	-16,4	17,1	1,7	-35,6
Trade balance	-1.900,7	3,7	-988,2	4,6	5,4

[1] *Figures for June 2002 are provisional.*

Table 22

Imports (cif) by economic destination

(Cyprus pounds in millions)

	2001 year	2002 Jan.- May	2000/1999 year % change	2001/2000 year % change	2001/2000 Jan. - May % change	2002/2001 Jan. - May % change
Consumer goods	**617,7**	**277,6**	**18,3**	**8,4**	**13,9**	**8,1**
Intermediate inputs	**710,3**	**302,7**	**16,5**	**5,2**	**13,5**	**0,1**
Agricultural	42,2	16,9	19,2	0,3	-3,4	17,4
Construction and mining	120,7	59,0	19,4	9,4	33,1	9,5
Manufacturing	421,8	180,1	12,0	5,8	9,9	1,8
Transport, storage and communication	29,4	8,5	52,1	-34,6	-25,4	-45,5
Other sectors of the economy	96,2	38,3	18,9	21,7	42,3	-8,2
Capital goods	**258,3**	**101,6**	**25,1**	**8,9**	**27,2**	**-10,6**
Agricultural	8,8	3,9	1,4	0,7	-6,8	-4,9
Construction and mining	20,6	8,5	-37,7	31,3	46,4	3,7
Manufacturing	69,6	24,2	34,7	4,0	42,2	-21,9
Transport, storage and communication	52,3	18,7	49,9	19,3	39,3	-20,1
Other sectors of the economy	107,0	46,2	32,8	5,0	15,5	-1,7
Transport equipment and parts thereof	**226,6**	**124,5**	**3,1**	**21,6**	**29,3**	**30,5**
of which:						
passenger cars	94,6	70,0	10,3	26,3	25,5	13,6
spare parts	61,3	30,3	-3,0	15,1	39,5	-4,7
Fuels and lubricants	**266,1**	**107,7**	**76,8**	**-1,2**	**22,0**	**3,8**
Unclassified	**97,9**	**38,7**				
Imports for home consumption	**2176,8**	**952,9**	**22,4**	**6,9**	**17,9**	**8,1**
Imports destined for re-exports	351,9	108,8	26,9	-18,8	-12,2	-32,8
Total imports	**2528,7**	**1061,6**	**23,2**	**2,4**	**12,0**	**1,7**
Memo item						
Non oil civil imports for home consumption	1813,0	806,8	16,5	8,7	17,3	5,0

Source: Statistical Service of Cyprus

Table 23

Exports (fob) by economic origin

(Cyprus pounds in millions)

	2001 year	2002 Jan. - May	2000/1999 year % change	2001/2000 year % change	2001/2000 Jan. - May % change	2002/2001 Jan. - May % change
Agricultural products (raw)	**43,8**	**29,4**	**-5,7**	**27,4**	**12,0**	**25,6**
of which:						
potatoes	17,5	12,1				
other vegetables	4,2	2,2				
fresh, frozen or dried citrus fruit	14,7	14,1				
Minerals and industrial products of mineral origin	**11,6**	**4,2**	**7,8**	**-6,3**	**12,2**	**-8,7**
Industrial products of agricultural origin	**28,0**	**14,3**	**11,4**	**-0,7**	**-5,9**	**27,7**
of which:						
halloumi cheese	7,7	4,8				
fruit preserved	0,9	0,3				
fruit and vegetable juices	4,1	2,4				
beer	1,0	0,4				
wines	5,3	2,1				
meat	2,9	2,1				
Industrial products of manufacturing origin	**150,5**	**59,9**	**11,9**	**1,1**	**-2,5**	**2,6**
of which:						
cigarettes	10,8	1,7				
cement	8,4	3,2				
pharmaceutical products	39,4	17,9	22,6	27,7	20,3	26,1
articles of paper or of paperboard	6,0	2,7				
clothing	19,7	6,5	-1,3	-12,3	-15,9	-12,2
footwear	3,8	1,4				
furniture	6,8	2,6				
Unclassified	**0,1**	**0,3**				
Domestic exports	**233,9**	**107,9**	**8,4**	**4,5**	**0,7**	**10,6**
re-exports	337,0	107,4	0,6	12,5	5,4	-24,3
shipstores	57,1	14,1	76,4	-16,4	2,5	-30,2
Total exports	**628,0**	**229,4**	**9,0**	**6,1**	**3,3**	**-11,7**

Source: Statistical service of Cyprus

Tourism

As shown in table 24, tourist arrivals fell by 18,8% in August 2002, compared with the same month of 2001. Moreover, the decrease in tourist arrivals in August was considerably larger than the decrease recorded in June and July 2002, which stood at 9,2% and 12,3%, respectively. For the first eight months of the current year, the decrease in tourist arrivals reached 14,0%. The sizeable decrease in tourist arrivals led to a fall in receipts from tourism, by 16,3% in July and by 11,1% in the period from January to July 2002, compared with the corresponding period of 2001 (table 25). The smaller decrease in receipts from tourism, compared with the decrease in arrivals, is attributable to the increase in expenditure per tourist.

Provisional data for September show a decrease in tourist arrivals of the order of 6,9%, compared with the decrease of 0,2% registered in September 2001, the month in which the terrorist attacks in the United States took place. Even though the decrease recorded in September 2002 is much smaller than the decrease recorded in August 2002, the base effect associated with low growth in September 2001 should not be overlooked. Based on the provisional data for September 2002, tourist arrivals declined by 13,0% in the first nine months of 2002, compared with an increase of 4,0% in the same period of 2001.

Table 24

Tourist arrivals[1]

(number of persons)

	1999	2000	2001	2002	% change 2000/1999	% change 2001/2000	% change 2002/2001
January	57.740	63.553	64.214	54.067	10,1	1	-15,8
February	74.041	87.243	83.569	71.950	17,8	-4,2	-13,9
March	126.494	135.487	137.578	138.625	7,1	1,5	0,8
April	180.076	221.785	237.228	180.481	23,2	7	-23,9
May	273.317	299.355	324.901	279.070	9,5	8,5	-14,1
June	276.879	302.011	322.835	293.192	9,1	6,9	-9,2
July	322.041	362.299	373.385	327.404	12,5	3,1	-12,3
August	341.088	356.686	371.536	301.724	4,6	4,2	-18,8
September	309.498	329.964	329.400		6,6	-0,2	
October	270.732	300.597	269.744		11	-10,3	
November	118.105	133.500	107.454		13	-19,5	
December	84.274	93.722	74.887		11,2	-20,1	
Jan. - Aug.	1.651.676	1.828.419	1.915.246	1.646.513	10,7	4,7	-14,0
Jan. - Dec.	2.434.285	2.686.202	2.696.731		10,3	0,4	

Source: Statistical Service of Cyprus

[1] *Arrivals of same - day visitors are not included*

Table 25

Receipts from tourism[1]

(Cyprus pounds in millions)

	2000	2001	2002	% change 2002/2001
January		24,9	21,6	-13,5
February		29,1	28,9	-0,9
March		49,7	59,2	18,9
April		89,9	77,0	-14,3
May		139,1	119,5	-14,1
June	122,9	157,4	139,3	-11,5
July	162,7	192,0	160,7	-16,3
August	173,7	205,0		
September	161,9	176,3		
October	135,1	130,2		
November	54,1	48,8		
December	36,2	29,2		
Jan.- Dec.		1.271,6		
Jan. - June		682,1	606,3	-11,1

Source: Statistical service of Cyrpus

[1] *Receipts from same - day visitors are not included*

3. ANNEX

Table 1

Official interest rates

(levels in percentages per annum)

With effect from[1]		Deposit facility	Main refinancing operations – Variable rate tenders: repo	Main refinancing operations – Variable rate tenders: reverse repo	Main refinancing operations – Variable rate tenders: acceptance of deposits	Marginal lending facility
2001	10 Aug.	3,50		5,00		6,50
	18 Sep.	3,00		4,50		6,00
	02 Nov.	2,50			4,00	5,50

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

Table 2

Main refinancing operations allotted through tenders[1]

(Cyprus pounds millions; interest rates in percentages per annum)

Date of settlement		Bids (amount)	Allotment (amount)	Variable rate tenders: Maximum bid rate	Variable rate tenders: Weighted average rate	Variable rate tenders: Minimum allotted rate	Variable rate tenders: Maximum allotted rate	Fixed rate tenders: Fixed allotted rate	Running for (…) days
2002	03 Jan.	203,0	203,0	4,00	3,82	3,49	3,91		14
	17 Jan.	185,0	160,0	4,00	3,82	3,50	3,90		14
	31 Jan.	158,0	130,0	4,00	3,84	3,70	3,89		14
	14 Feb.	185,0	130,0	4,00	3,72	3,65	3,80		14
	28 Feb.	189,0	160,0	4,00	3,84	3,65	3,98		14
	14 Mar.	268,0	200,0	4,00	3,65	3,64	3,80		14
	28 ?ar.	252,0	252,0	4,00	3,92	3,65	3,98		14
	11 Apr.	349,0	280,0	4,00	3,90	3,70	4,00		14
	25 Apr.	281,0	265,0	4,00	3,93	3,80	4,00		14
	09 May	289,5	280,0	4,00	3,96	3,89	4,00		14
	23 May	319,5	319,5	4,00	3,98	3,94	4,00		14
	06 June	166,0	166,0					4,00	42
	06 June	201,5	100,0	4,00	3,64	3,5	3,97		14
	10 June	125,0	100,0					3,90	38
	20 June	161,0	160,0	4,00	3,86	3,74	3,98		14
	04 July	177,0	150,0	4,00	3,85	3,82	4,00		14
	18 July	328,0	270,0					4,00	42
	18 July	158,5	120,0	4,00	3,79	3,69	3,87		14
	01 Aug.	231,0	175,0	4,00	3,73	3,69	3,75		13
	14 Aug.	137,0	137,0	4,00	3,75	3,70	3,98		15
	29 Aug.	430,0	350,0					4,00	42
	29 Aug.	102,0	100,0	4,00	3,88	3,65	4,00		14
	12 Sep.	12,0	12,0	4,00	3,93	3,88	3,95		14
	10 Oct.	295,0	200,0					4,00	42
	10 Oct.	105,0	105,0	4,00	3,92	3,85	3,97		14

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

Table 3

Money market interest rates

(percentages per annum)

		Cyprus					Euro area				
		Overnight deposits	2-7 days deposits	1-month deposits	2-6 months deposits	6-12-months deposits	Overnight deposits	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2001	July	4,94	4,88	5,95	-	6,50	4,51	4,52	4,47	4,39	4,31
	Aug.	4,33	4,60	4,85	5,84	-	4,49	4,46	4,35	4,22	4,11
	Sep.	3,97	4,55	5,19	6,10	-	3,99	4,05	3,98	3,88	3,77
	Oct.	3,71	4,10	4,78	-	-	3,97	3,72	3,60	3,46	3,37
	Nov.	3,46	-	4,58	-	5,00	3,51	3,43	3,39	3,26	3,20
	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	-					

Sources: Central Bank of Cyprus and European Central Bank

Table 4

Bank interest rates

(percentages per annum)

	Lending interest rates [1, 2]					Deposit interest rates [1, 3]		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5000	1 year fixed deposits - over CYP5000
2001 Jan.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
Feb.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
Mar.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
Apr.	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
May	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
June	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
July	7,92	7,92	8,95	8,67	10,50	2,00	5,25	6,50
Aug.	7,42	7,42	8,45	8,17	10,00	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	7,13	10,50	0,83	4,42	4,85
Sept.	6,98	7,16	7,90	7,13	10,50	0,84	4,37	4,88

(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.

(3) Data refer to the average of the representative interest rates offered on each deposit category, as defined by the three largest banks.

Table 5

European retail bank interest rates

(percentages per annum, period averages)

		Deposit interest rates						Lending interest rates			
			With agreed maturity			Redeemable at notice		To enterprises		To households	
		Overnight	Up to 1 year	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	Up to 1 year	Over 1 year	Consumer lending	For house purchase
2000	July	0,87	3,58	3,58	4,71	2,33	3,94	6,77	6,37	9,95	6,46
	Aug.	0,89	3,67	3,67	4,75	2,36	4,06	6,81	6,44	10,00	6,51
	Sep.	0,94	3,85	3,83	4,77	2,38	4,20	6,92	6,44	10,03	6,56
	Oct.	0,97	3,96	3,96	4,76	2,40	4,14	7,13	6,60	10,15	6,57
	Nov.	0,99	4,04	4,03	4,77	2,47	4,25	7,16	6,63	10,20	6,56
	Dec.	1,01	3,96	3,96	4,58	2,49	4,21	7,18	6,45	10,19	6,43
2001	Jan. *	1,01	3,88	3,88	4,39	2,52	4,01	7,19	6,40	10,32	6,29
	Feb.	1,01	3,84	3,83	4,35	2,50	3,99	7,11	6,44	10,26	6,24
	Mar.	1,02	3,82	3,82	4,32	2,50	3,99	7,04	6,32	10,22	6,18
	Apr.	1,03	3,76	3,76	4,26	2,50	3,91	7,07	6,34	10,25	6,14
	May	1,01	3,75	3,74	4,27	2,48	3,91	7,03	6,34	10,22	6,17
	June	0,98	3,65	3,65	4,25	2,45	3,85	6,97	6,25	10,17	6,13
	July	0,97	3,65	3,65	4,22	2,44	3,80	6,90	6,20	10,11	6,05
	Aug.	0,96	3,59	3,59	4,14	2,40	3,68	6,89	6,19	10,16	5,96
	Sep.	0,91	3,28	3,28	3,98	2,36	3,33	6,71	6,07	10,08	5,86
	Oct.	0,84	3,06	3,06	3,84	2,29	3,01	6,46	5,82	9,99	5,65
	Nov.	0,78	2,84	2,83	3,65	2,19	2,75	6,31	5,71	9,87	5,48
	Dec.	0,74	2,79	2,78	3,77	2,17	2,79	6,26	5,69	9,81	5,52
2002	Jan.	0,73	2,77	2,77	3,83	2,17	2,80	6,18	5,63	9,78	5,53
	Feb.	0,73	2,78	2,79	3,95	2,15	2,91	6,16	5,75	9,81	5,61
	Mar.	0,74	2,84	2,84	4,07	2,15	3,00	6,09	5,85	9,76	5,74
	Apr.	0,74	2,89	2,90	4,13	2,14	3,07	6,17	5,95	9,82	5,81
	May	0,74	2,91	2,92	4,15	2,15	3,08	6,20	5,98	9,85	5,82
	June	0,74	2,93	2,94	4,09	2,13	3,08	6,17	5,92	9,81	5,77
	July	0,74	2,88	2,89	4,02	2,13	3,02	6,18	5,91	9,81	5,68

** From January 2001 data refer to the enlarged euro area*

Table 6

Calendar of interest rates announcements in 2002

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
	3	7	7	4	2	6	4	1	12	10	7	5
European Central Bank [1]	3,25	3,25	3,25	3,25	3,25	3,25	3,25	3,25	3,25	3,25		
	10	7	7	4	9	6	4	1	5	10	7	5
Bank of England [2]	4,00	4,00	4,00	4,00	4,00	4,00	4,00	4,00	4,00	4,00		
	29/30		19		7	25/26		13	24		6	10
Federal Reserve System [3]	1,75		1,75		1,75	1,75		1,75	1,75			
	25	21		11	16	14	19		20		1	13
Central Bank of Cyprus [4]	5,50	5,50		5,50	5,50	5,50	5,50		5,50			

(1) Minimum bid rate on the main refinancing operations

(2) Repo Rate

(3) Federal Funds Rate

(4) Interest rate on the marginal lending facility

Table 7

Percentage change in the Consumer Price Index by economic origin (%)
2000-2002

		Yearly		Quarterly			Sep. 2001/ 2000	Aug. 2002/ 2001	Sep. 2002/ 2001	Jan.-Sep. 2001/ 2000	Jan.-Aug. 2002/ 2001	Jan.-Sep. 2002/ 2001	Weights
		2000	2001	2002 I	2002 II	2002 III							1998=100
	GENERAL INDEX	**4,14**	**1,97**	**2,58**	**2,35**	**3,50**	**2,05**	**3,77**	**3,41**	**1,84**	**2,73**	**2,81**	**100,00**
A	**LOCAL GOODS**	**7,15**	**1,34**	**3,39**	**2,57**	**6,26**	**1,88**	**6,95**	**5,93**	**0,95**	**3,83**	**4,07**	**36,69**
A.1	Agricultural	8,98	4,50	16,74	2,98	-1,98	11,16	-0,40	-2,82	0,66	6,88	5,72	7,93
A.2	Industrial	4,40	0,78	0,93	2,91	9,02	-0,24	9,59	8,81	1,21	3,71	4,29	27,24
A.2.1	*industrial non-petroleum*	*2,45*	*0,10*	*1,60*	*3,09*	*6,49*	*0,48*	*6,87*	*6,02*	*-0,18*	*3,44*	*3,73*	*22,91*
A.2.2	*fuel and gas*	*14,86*	*3,99*	*-2,11*	*2,08*	*20,42*	*-3,48*	*21,86*	*21,87*	*8,09*	*4,97*	*6,83*	*4,33*
A.3	Electricity	47,32	-3,23	-13,28	-3,71	2,58	-3,99	2,13	3,52	-1,24	-6,10	-5,06	1,52
B	**IMPORTED GOODS**	**2,13**	**0,47**	**0,07**	**-0,08**	**-3,23**	**-0,42**	**-3,13**	**-3,22**	**0,63**	**-0,81**	**-1,08**	**22,20**
B.1	Motor Vehicles	3,78	0,55	0,35	-0,43	-10,10	-1,10	-10,29	-9,72	0,99	-2,59	-3,38	9,43
B.2	Other Imported	0,93	0,41	-0,14	0,18	1,96	0,09	2,33	1,62	0,35	0,54	0,66	12,77
C	**SERVICES**	**2,52**	**3,35**	**3,15**	**3,37**	**4,40**	**3,49**	**4,37**	**4,47**	**3,30**	**3,54**	**3,65**	**41,11**
	Euro area inflation	**2,3**	**2,5**	**2,6**	**2,1**		**2,3**	**2,1**		**2,8**	**2,2**		
	Underlying inflation for Cyprus[1]	**2,4**	**1,7**	**2,0**	**2,4**	**3,0**	**1,7**	**3,1**	**2,9**	**1,7**	**2,4**	**2,5**	

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

Table 8

Weighted contribution to the total change in the Consumer Price Index by economic origin (%) 2000-2002

		Yearly		Quarterly			Sep. 2001/ 2000	Aug. 2002/ 2001	Sep. 2002/ 2001	Jan.-Sep. 2001/ 2000	Jan.-Aug. 2002/ 2001	Jan.-Sep. 2002/ 2001	Weights 1998=100
		2000	2001	2002 I	2002 II	2002 III							
	GENERAL INDEX	**4.14**	**1.97**	**2.58**	**2.35**	**3.50**	**2.05**	**3.77**	**3.41**	**1.84**	**2.73**	**2.81**	**100.00**
A	**LOCAL GOODS**	**2.63**	**0.51**	**1.26**	**0.97**	**2.34**	**0.71**	**2.59**	**2.23**	**0.36**	**1.43**	**1.52**	**36.69**
A.1	Agricultural	0.69	0.36	1.31	0.24	-0.16	0.86	-0.03	-0.24	0.05	0.55	0.46	7.93
A.2	Industrial	1.21	0.21	0.25	0.81	2.45	-0.07	2.58	2.40	0.33	1.01	1.17	27.24
A.2.1	*industrial non-petroleum*	*0.57*	*0.02*	*0.36*	*0.70*	*1.44*	*0.11*	*1.52*	*1.35*	*-0.04*	*0.77*	*0.84*	*22.91*
A.2.2	*fuel and gas*	*0.64*	*0.19*	*-0.10*	*0.10*	*1.00*	*-0.18*	*1.07*	*1.05*	*0.37*	*0.24*	*0.34*	*4.33*
A.3	Electricity	0.73	-0.07	-0.30	-0.07	0.05	-0.09	0.04	0.07	-0.03	-0.13	-0.11	1.52
B	**IMPORTED GOODS**	**0.46**	**0.10**	**0.01**	**-0.02**	**-0.68**	**-0.09**	**-0.65**	**-0.67**	**0.13**	**-0.17**	**-0.23**	**22.20**
B.1	Motor Vehicles	0.35	0.05	0.03	-0.04	-0.91	-0.10	-0.93	-0.87	0.09	-0.24	-0.31	9.43
B.2	Other Imported	0.12	0.05	-0.02	0.02	0.23	0.01	0.28	0.19	0.04	0.06	0.08	12.77
C	**SERVICES**	**1.05**	**1.37**	**1.31**	**1.39**	**1.84**	**1.43**	**1.83**	**1.85**	**1.35**	**1.47**	**1.51**	**41.11**

Table 9

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

	Yearly		Quarterly			Sep. 2001/ 2000	Aug. 2002/ 2001	Sep. 2002/ 2001	Jan.-Sep. 2001/ 2000	Jan.-Aug. 2002/ 2001	Jan.-Sep. 2002/ 2001	Weights 1998=100
	2000	2001	2002 I	2002 II	2002 III							
GENERAL INDEX	**4,14**	**1,97**	**2,58**	**2,35**	**3,50**	**2,05**	**3,77**	**3,41**	**1,84**	**2,73**	**2,81**	**100,00**
Food & non-alcoholic beverages	5,49	4,09	9,31	5,09	3,87	6,75	4,72	3,49	2,55	6,39	6,06	18,20
Alcoholic beverages & tobacco	8,16	2,79	0,98	7,66	21,65	1,63	21,85	21,35	3,30	8,72	10,12	1,78
Clothing and footwear	-0,46	-6,75	-3,06	-4,00	-4,64	-4,55	-4,33	-5,68	-8,32	-3,68	-3,91	8,22
Housing, water, electricity and gas	5,46	1,59	1,82	3,46	5,41	0,94	5,37	5,84	1,86	3,28	3,56	21,27
Furnishings, household equipment and supplies	1,47	0,15	-1,21	-0,99	3,42	-0,77	4,13	3,05	0,08	0,06	0,39	7,08
Health	6,18	5,41	4,30	5,03	5,17	4,50	5,09	5,23	5,53	4,79	4,84	4,92
Transport	5,70	2,29	0,25	0,65	0,19	-0,35	0,27	0,83	3,52	0,31	0,37	17,42
Communication	-10,36	1,73	-7,13	-7,77	-6,70	11,11	-7,29	-7,26	0,78	-7,19	-7,20	1,79
Recreation & culture	-0,20	-0,50	1,16	1,46	3,42	1,41	3,63	2,73	-1,13	1,93	2,02	5,88
Education	3,87	4,60	6,35	5,79	6,29	4,35	5,79	7,27	3,90	6,00	6,15	2,33
Restaurants & hotels	5,80	6,00	3,30	3,14	4,65	5,36	4,89	4,17	6,70	3,64	3,70	6,07
Miscellaneous goods and services	4,16	3,97	3,03	3,83	7,69	3,23	7,81	7,35	4,32	4,55	4,86	5,04

Table 10

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

	Yearly		Quarterly			Sep. 2001/ 2000	Aug. 2002/ 2001	Sep. 2002/ 2001	Jan.-Sep. 2001/ 2000	Jan.-Aug. 2002/ 2001	Jan.-Sep. 2002/ 2001	Weights 1998=100
	2000	2001	2002 I	2002 II	2002 III							
GENERAL INDEX	**4,14**	**1,97**	**2,58**	**2,35**	**3,50**	**2,05**	**3,77**	**3,41**	**1,84**	**2,73**	**2,81**	**100,00**
Food & non-alcoholic beverages	0,99	0,75	1,70	0,94	0,72	1,21	0,89	0,66	0,47	1,18	1,12	18,20
Alcoholic beverages & tobacco	0,16	0,06	0,02	0,16	0,44	0,03	0,45	0,43	0,07	0,18	0,21	1,78
Clothing and footwear	-0,04	-0,54	-0,21	-0,31	-0,32	-0,36	-0,29	-0,42	-0,67	-0,26	-0,28	8,22
Housing, water, electricity and gas	1,17	0,34	0,40	0,75	1,18	0,20	1,17	1,25	0,41	0,71	0,78	21,27
Furnishings, household equipment and supplies	0,10	0,01	-0,08	-0,07	0,23	-0,05	0,27	0,20	0,01	0,00	0,03	7,08
Health	0,31	0,27	0,22	0,26	0,27	0,23	0,27	0,27	0,28	0,25	0,25	4,92
Transport	0,97	0,40	0,04	0,11	0,03	-0,06	0,05	0,14	0,61	0,05	0,06	17,42
Communication	-0,17	0,03	-0,11	-0,11	-0,10	0,15	-0,11	-0,11	0,01	-0,11	-0,11	1,79
Recreation & culture	-0,01	-0,03	0,06	0,08	0,19	0,08	0,20	0,15	-0,06	0,10	0,11	5,88
Education	0,09	0,11	0,16	0,14	0,16	0,11	0,14	0,18	0,09	0,15	0,15	2,33
Restaurants & hotels	0,36	0,38	0,22	0,20	0,31	0,34	0,32	0,27	0,42	0,24	0,24	6,07
Miscellaneous goods and services	0,21	0,20	0,16	0,20	0,40	0,16	0,40	0,38	0,22	0,23	0,25	5,04

Table 11

Inward portfolio investment: Purchase of shares traded on the Cyprus Stock Exchange by non-residents[1]

(Cyprus pound thousands)

Country	2001 Jan.	2001 Feb.	2001 Mar.	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.
Australia	26,2	27,4	19,4	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
Austria	0,0	174,8	13,6	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
Belgium	6,0	4,7	0,0	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
British Virgin Islands	0,0	0,0	0,0	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
Canada	34,1	2,6	2,9	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
Cuba	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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Czech Republic	0,0	0,0	0,0	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
Egypt	4,6	0,0	0,0	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
France	0,0	68,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Georgia	0,0	0,0	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
Germany	56,8	24,2	35,1	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
Greece	799,8	1.414,3	1.125,7	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
Iran	0,0	0,0	0,0	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
Ireland	7,7	0,0	55,9	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
Italy	0,0	0,0	0,0	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
Jordan	0,0	0,0	0,0	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
Latvia	0,0	0,0	0,0	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
Lebanon	0,0	0,6	0,0	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
Libya	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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Mexico	0,0	0,0	0,0	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
Moldova	0,0	5,7	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
Netherlands	0,0	2,6	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,0	0,0	0,0	0,0	0,0	0,0
Panama	0,0	0,0	29,3	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
Philippines	0,0	0,0	0,0	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
Russia	312,4	116,6	78,1	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
Saudi Arabia	0,0	0,0	19,5	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
South Africa	18,0	32,5	18,0	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
Spain	1,8	0,6	0,0	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
Switzerland	0,0	0,0	0,0	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
Syria	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	0,0	0,0	0,0	0,0
Ukraine	48,2	30,0	26,1	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
United Arab Emirates	0,0	0,0	0,0	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
United Kingdom	615,1	342,8	203,9	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
United States of America	19,6	71,7	9,7	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
Yugoslavia	62,4	13,6	33,0	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
Zambia	0,0	0,0	0,0	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
Zimbabwe	0,0	0,0	0,0	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
Unidentified	32,0	44,7	13,7	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
Total	2.044,7	2.384,7	1.686,2	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

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

Table 12

Inward portfolio investment: Sale of shares traded on the Cyprus Stock Exchange by non-residents[1]

(Cyprus pounds thousands)

Country	2001 Jan.[2]	2001 Feb.	2001 Mar.	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.
Australia	0,3	0,3	3,8	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
Austria	0,0	0,0	0,0	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
British Virgin Islands	0,0	0,0	0,0	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
Canada	0,5	1,7	1,7	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
Cuba	0,0	0,4	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	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
France	0,0	109,4	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
Germany	0,3	8,0	0,0	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
Greece	371,1	1.123,3	567,7	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
Iran	0,0	0,0	0,0	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
Italy	13,6	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	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	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
Lebanon	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	0,0	0,0	0,0	0,0	0,0	0,0
Libya	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	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Moldova	0,0	5,8	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	0,0	0,0	0,0	0,0	0,0	0,0
Netherlands	0,0	1,9	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	0,0	0,0	0,0	0,0	0,0	0,0
Philippines	5,6	0,0	0,0	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
Russia	347,1	139,5	56,7	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
South Africa	0,0	0,1	0,0	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
Spain	0,0	0,0	0,0	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
Switzerland	0,0	0,0	0,0	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
Syria	0,0	0,0	0,0	2,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Ukraine	0,0	0,0	0,0	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
United Kingdom	143,4	278,0	24,5	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
United States of America	1,3	381,3	406,3	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
Yugoslavia	79,0	31,7	22,9	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
Unidentified	0,2	1,6	2,1	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
Total	962,3	2.085,9	1.086,6	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

(1) These figures refer to shares not included in the dematerialisation process.
(2) Data for sales in January 2001 only cover the period 17.01.2001 to 31.01.2001.

Table 13

Tax reform

Indirect taxation

In July, most bills concerning the tax reform were approved by the House of Representatives. Through this tax reform, the Cypriot tax regime is harmonised with the European Union (EU) acquis as well as the requirements of the Organisation for Economic Co-operation and Development (OECD). The new tax legislation shifts the weight, to a great extent, from direct to indirect taxes, in line with the tax regime in the EU and the other developed countries.

The main provisions of the new tax legislation are listed below:

VAT Increase in the standard rate from 10% to 13% effective 1.7.2002, and from 13% to 15% effective 1.1.2003. Abolition of the zero rate on all goods exempted from the standard rate with effect 1.1.2008.

Excise duties

Petroleum increase by 5 cent per litre effective 1.7.2002.

increase by 4 cent per litre effective 1.1.2003.

increase by 3 cent per litre effective 1.10.2003.

Petrol increase by 2 cent per litre (for regular and unleaded petrol) effective 1.7.2002.

increase by 2 cent per litre (for regular and unleaded petrol) effective 1.1.2003.

increase by 1 cent per litre (for regular and unleaded petrol) effective 1.10.2003.

Alcoholic beverages

Domestic increase by 66 cent per litre of pure alcohol effective 1.7.2002.

increase by 65 cent per litre of pure alcohol effective 1.1.2003.

increase by 70 cent per litre of pure alcohol effective 1.10.2003.

Imported increase by £1,35 per litre of pure alcohol effective 1.7.2002, and simultaneously a much larger decrease in import duties on alcoholic beverages imported from the EU.

increase by 65 cent per litre of pure alcohol effective 1.1.2003, and simultaneously a much larger decrease in import duties on alcoholic beverages imported from the EU.

increase by 70 cent per litre of pure alcohol effective 1.10.2003, and simultaneously a much larger decrease in import duties on alcoholic beverages imported from the EU.

Cigarettes

Increase by 20 cent per packet effective 30.5.2002.

Increase by 10 cent per packet effective 1.7.2003.

Motor vehicles

Decrease in excise duties on saloon cars as follows:

Up to 1600 cc, up to 45% decrease effective 1.7.2002, and additional decrease of 10% effective 1.1.2004.

For 1601 cc to 2000 cc, 15% decrease effective 1.7.2002, and additional decrease of 10% effective 1.1.2004.

For 2001-2500 cc, no change.

For 2501 cc and above, 5% increase effective 1.7.2002.

The imposition of tax on all cars up to 1600 cc is abolished. The special tax is maintained for cars 1601 cc and above.

Increase by 20% of registration fees for cars effective 1.1.2003.

Increase in permit fees for petrol-powered cars up to 1016 kg by 10%, and increase by 20% for vehicles exceeding 1016 kg effective 1.1.2003.

Increase in excise duties on vans and double-cabin vehicles as follows:

	1.7.2002	**1.1.2004**
Van	10%	10%
Double-cabin	5%	5%
4x4 up to 2500 cc	10%	10%
4x4 above 2500 cc	20%	30%

Luxury goods

Increase in excise duties on luxury goods, such as boats and motorcycles above 100 cc, smoked salmon, caviar and sparkling wine by 10%, and increase in the excise duty for soft drinks by 1 cent per litre.

Direct taxation

Natural persons

Increase in the non-taxable income from £6.000 to £9.000, retroactively from 1.1.2002, in parallel with the abolition of tax exemptions for spouse and interest expenditure (except interest on housing loans).

Abolition of the defence fund levy for employees and the self-employed effective 1.7.2002.

Effective 1.1.2003, the tax brackets are amended as follows:

Taxable Income	**Income tax rate**
£0 - £9.000	0%
£9.501 - £12.000	20%
£12.001 - £15.000	25%
£15.001 and above	30%

Effective 1.1.2004, increase in the non-taxable income to £10.000, simultaneously with the abolition of tax exemptions for interest on housing loans and amendment of the tax brackets as follows:

Taxable income	**Income tax rate**
£0 - £10.000	0%
£10.001 - £15.000	20%
£15.001 - £20.000	25%
£20.001 and above	30%

Professional tax

Abolition of the professional tax effective 1.1.2003.

Taxation of interest

Abolition of the 3% defence fund levy on interest earned and introduction of tax withholding at the source, at a rate of 10%.

Corporation tax

Introduction of a uniform tax rate of 10%, and an additional 15% tax on 70% of non-distributed profits effective 1.1.2003.

Abolition of the additional tax rate of 10% effective 1.1.2003.

Abolition of the tax rate of 4,25% for international business companies in operation prior to 31.12.2001, effective 1.1.2006.

Social cohesion fund

Introduction of a 2% tax rate to be contributed by employers to the social cohesion fund.

Defence fund

Abolition of the 2% defence fund levy for employers effective 1.1.2003. Abolition of the defence fund levy on corporate profits effective 1.1.2003.

Compensatory measures

Finally, the tax reform includes a series of compensatory measures, such as the expansion of the child allowance, increase in pensions and other public assistance allowances, the final form of which is still pending.