



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

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

**OCTOBER 2003**



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

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

Greater optimism about the global economy has emerged in international markets, particularly on the basis of an expected recovery in the US economy. However, international economic indicators give mixed signals at present, and hence no safe projection of an economic rebound can be made. The weakening of the US dollar has continued, against the background of high fiscal and current account deficits in the United States. Unemployment has adversely affected consumer confidence in the United States, whereas in the euro area industrial confidence has improved, in spite of the contraction in GDP recorded in the largest countries of the euro area. Official interest rates in both the United States and the euro area are expected to remain unchanged until the end of the year.

In the domestic economy, inflation rose to 3,64% in September, from 2,94% in the previous month. This rise was driven mainly by the increase in the prices of agricultural goods, domestic industrial non-oil goods and electricity, and to a lesser extent by the increase in services prices. For the period from January to September 2003, domestic inflation reached 4,35%, compared with 2,81% in the same period of the previous year. This development reflects to a large extent the increase in the value added tax (VAT) standard rate from 10% to 13% effective 1 July 2002 and then to 15% effective 1 January 2003. As regards prospects for 2003, taking into account the influence of the VAT increases and changes in excise taxes (including the recent increase in taxes on petroleum), as well as the cumulative effect of the automatic indexation of wages, inflation is expected to range around 4,0% to 4,5% for the year as a whole, compared with 2,81% in 2002.

In the monetary sector, the growth rate of bank credit to the private sector in the first eight months of 2003 remained considerably below the rate recorded in the same period of the previous year. In particular, the annual growth rate of credit to the private sector continued to be less than 7,0% in August, compared with 8,5% in the same month of 2002. The proportion of credit in foreign currency to total credit remained unchanged at 10,4% in August. In parallel, surplus bank liquidity conditions persisted in the money market. Hence, in order to maintain interest rates consistent with its anti-inflationary policy, the Central Bank of Cyprus continued to intervene in the money market through liquidity-absorbing auctions (depos), incurring the associated considerable cost.

Concerning tourism, the decline in tourist arrivals was reversed in August. Specifically, tourist arrivals increased by 6,9% in August 2003, compared with a decrease of 2,8% in July 2003 and 18,8% in August 2002. For the period from January to August 2003, tourist arrivals recorded a decrease of 6,9%, compared with a fall of 14,0% in the same period of 2002. In parallel, receipts from tourism fell by 13,9% in the first seven months of 2003.

As regards external trade, provisional data indicate that total imports fell by 11,4% in the first half of 2003, compared with an increase of 0,4% in the first half of 2002. Non-oil imports for home consumption excluding imports of military equipment also declined, albeit at a lower rate. In parallel, total exports declined by 7,2% in the first half of 2003, as both domestic exports and re-exports decreased. As a result of these developments, the crude trade deficit narrowed to

£870,0 million in the first half of 2003, from £994,9 in the first half of 2002.

As regards private consumption, the retail sales volume index declined by 3,2% in the first half of 2003, compared with an increase of 1,2% in the first half of the previous year. The sluggish course of the retail sales volume index reflects, in part, the decline in the growth rate of retail sales of cars.

Turning to the labour market, the number of registered unemployed increased in September 2003, thereby continuing the upward trend that has been observed since November 2001. The unemployment rate reached 3,2% of the economically active population in September 2003, compared with 2,9% in the same month of 2002.

In the secondary sector of the economy, mixed developments were again recorded. Manufacturing registered a contraction in the first half of 2003, whereas the performance of construction remained generally encouraging. In particular, the volume and value indices of building permits exhibited sizeable increases, while cement sales also increased, but at a lower rate.

With regard to public finances, according to data from the Ministry of Finance, the fiscal deficit reached £186,7 million in the first half of 2003, compared with £100,7 million in the first half of 2002. Public revenue grew by 14,4%, compared with an increase of 2,1% in the first half of 2002, while public expenditure also accelerated, with a growth rate of 21,4%, leading to the recorded increase in the fiscal deficit for the first half of 2003.

## 2. ECONOMIC DEVELOPMENTS

### 2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

#### *International economic developments*

Economic indicators have continued to show mixed signs concerning the recovery of the world economy, and analysts are focusing on the growth prospects of the United States and Japan. The United States are facing high unemployment, while at the same time, the weakening of the US dollar may lead to a narrowing of the current account deficit. In the euro area, industrial confidence has improved slightly, and it is generally expected that there will be no further reductions in official interest rates until the end of the year. In Japan, the new reshuffle of the government is considered positive with respect to the structural reforms necessary in the context of the policy against deflation. All major share indices registered an increase in the period from July to September.

More specifically, in the **United States**, the US Federal Reserve System maintained official interest rates unchanged at its meeting on 16 September 2003, while it commented that the labour market is weak. Concerns about unemployment also affected the University of Michigan consumer confidence index, which declined to 76,8 points in September, its lowest level in the past five months. The unemployment rate stood at 6,1% in August, while the inflation rate was 2,2%. With regard to equity values, the Dow Jones, S&P 500 and Nasdaq indices increased by 2,6%, 1,4% and 9,0%, respectively, in the period from July to September 2003.

The cumulative increase in these indices since the beginning of the year was 11,3%, 13,3% and 33,4%, respectively.

In the **euro area**, industrial production decreased by 0,3% in the twelve months to August. However, the Ifo business climate index rose to 91,9 points in September, from 90,8 in August. Inflation stood at 2,1% in August and September, up from 1,9% in July. Equity values in Germany, France and Italy, as reflected by the DAX, CAC 40 and BCI indices, rose by 2,7%, 3,6% and 2,1%, respectively, in the period from July to September, and registered a cumulative increase of 15,1%, 4,1% and 6,5%, respectively, in the first nine months of the year.

In the **United Kingdom**, GDP growth in the second quarter of 2003 was revised to 0,6%, from an initial estimate of 0,3%. On an annual basis, the growth rate reached 2,4%. This development seems to contradict the interest rate reduction decided by the Bank of England in July 2003, on account of its projections for weak economic growth. The retail price index RPIX increased by 0,2% in August, registering an increase of 2,9% for the twelve months to August. The FTSE 100 stock price index rose by 5,2% in the period from July to September and registered a cumulative increase of 5,8% since the beginning of the year.

In **Japan**, the Tankan survey of business confidence exhibited an increase in the three months to September 2003, for the first time since December 2000. Nevertheless, analysts suggest that it would be premature to conclude that the Japanese economy has recovered. In particular, the recent appreciation of the yen vis-à-vis the US dollar, in spite of continuous interventions by the Bank of Japan, may prove

harmful for Japanese enterprises. In the equity market, the Nikkei 225 index rose by 8,0% in the period from July to September and registered an increase of 18,9% for the first nine months of the year.

In the crude oil market, the average price of Brent crude oil declined to USD 27,20 per barrel in

September, from USD 29,84 per barrel in August. On 24 September 2003, the Organisation of Petroleum Exporting Countries (OPEC) decided to reduce production as from 1 November 2003, because of the decline in excess demand. Consequently, the price of crude oil increased around the end of the month.



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

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

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

In the case of the IMF, the figures indicate its projections in April 2003.

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

	2002	2003			
	31 Dec.	1 July	1 Oct.	% change	
				Jan. - Sep.	July - Sep.

**USA**

Dow Jones	8.332,9	9.041,0	9.275,1	11,3	2,6
S&P 500	879,4	982,3	996,0	13,3	1,4
Nasdaq	1.339,5	1.640,1	1.786,9	33,4	9,0

**Germany**

DAX	2.892,6	3.241,0	3.329,8	15,1	2,7
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**France**

CAC 40	3.063,9	3.079,1	3.191,0	4,1	3,6
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**Italy**

BCI	1.091,9	1.138,8	1.163,2	6,5	2,1
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**Britain**

FTSE 100	3.940,4	3.963,9	4.169,2	5,8	5,2
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**Japan**

Nikkei 225	8.714,1	9.592,2	10.361,2	18,9	8,0
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Source: Reuters

**Table 3****Main economic indicators***(percentage change on year ago)*

	GDP				Industrial production August (annual)	Retail sales August (annual)	Unemployment August (annual)	Inflation <sup>1</sup> August (annual)
	2003:Q1		2003:Q2					
	(quarterly)*	(annual)	(quarterly)*	(annual)				
Britain	0,3	2,2	2,4	2,0	-0,5 <sup>2</sup>	3,8	5,1 <sup>4</sup>	2,9
Japan	0,6	2,6	3,9	3,0	-1,2	2,6 <sup>2</sup>	5,1	-0,3
USA	1,9	2,1	3,3	2,5	-1,0	6,3 <sup>2</sup>	6,1	2,2
Euro area	0,4	0,9	-0,3	0,2	-0,3 <sup>2</sup>	0,7 <sup>5</sup>	8,8	2,1 <sup>3</sup>

*Source: The Economist, 4 October 2003.*<sup>1</sup> *Based on the Consumer Price Index with the exception of Britain which is based on the Retail Price Index (RPIX).*<sup>2</sup> *Data of July 2003.*<sup>3</sup> *Data of September 2003.*<sup>4</sup> *May - July 2003.*<sup>5</sup> *Data of June 2003.*\* *percentage change on previous quarter at an annualised rate.***International currencies**

The euro strengthened significantly against the US dollar in September, reaching USD 1,16 on 30 September, compared with USD 1,10 on 1 September. This appreciation halted the euro's declining course against the US dollar, which was observed in the period from June to August 2003, and is attributable to the release of negative data for the US economy. In particular, the widening of the fiscal and current account deficits, and the increase in applications for unemployment benefits heightened concerns about the prospects of a rebound in the US economy. Nevertheless, some economic circles expect a recovery in the US economy. In parallel, the euro area economy is expected to show a weak recovery.

The pound sterling followed partly the course of the euro in September. Specifically, the pound sterling appreciated to USD 1,67 on 30 September, from USD 1,58 on 1 September.

The course of the pound sterling was indirectly influenced by the releases of negative economic data for the United States. Concurrently, the improvement of Britain's trade balance, the increase in manufacturing production, and the increase in the growth rate of GDP contributed to the appreciation of the pound sterling.

The Japanese yen also strengthened against the US dollar in September, while it fluctuated marginally vis-à-vis the euro, as the Japanese economy continued to show encouraging signs of recovery. The Japanese yen was also supported by the rise in Tokyo's stock exchange, the release of positive economic data and the repatriation of capital. The decision of the group of seven richest countries (G7) in Dubai against the manipulation of national currencies also exerted an upward influence on the yen.

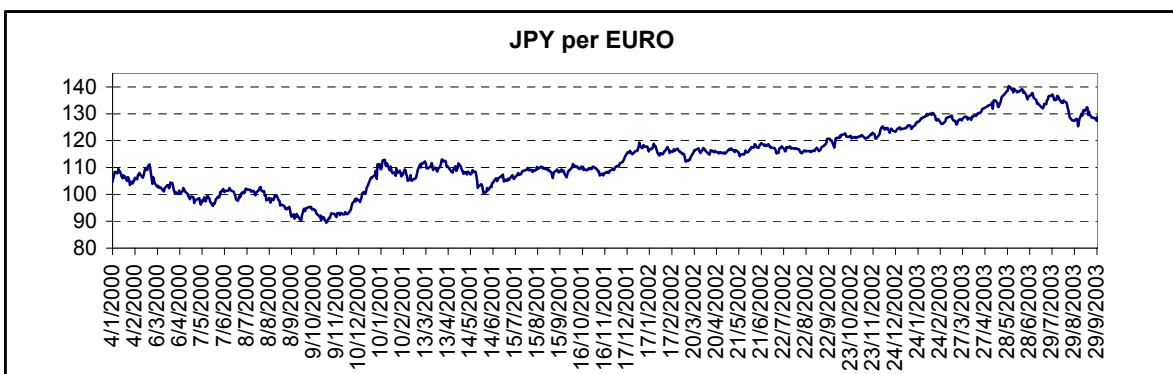
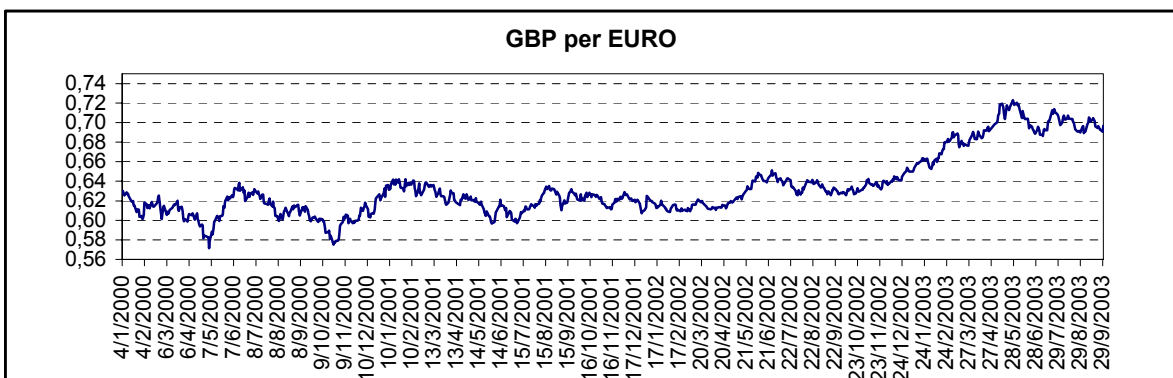
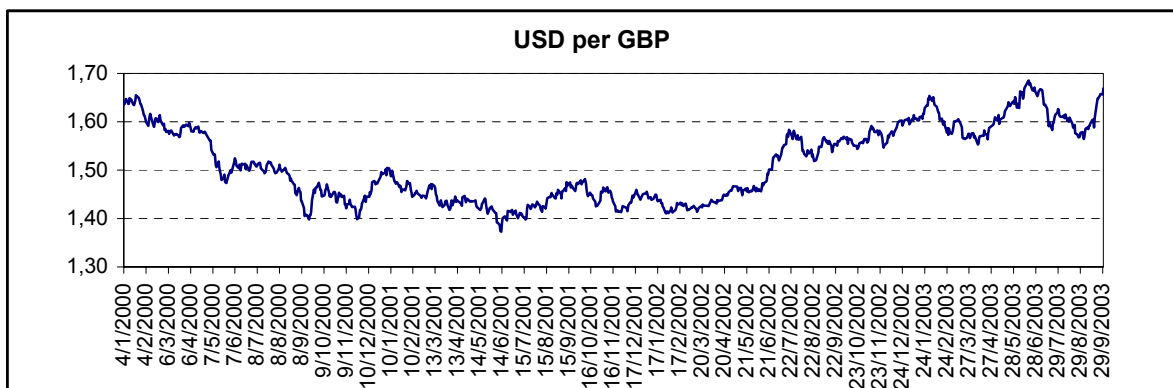
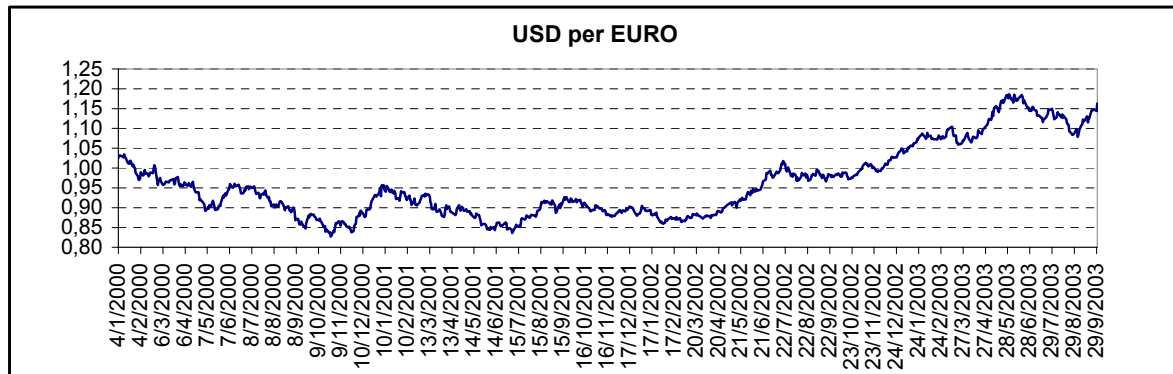
**Chart 1****Major international currencies****04/01/2000 - 30/09/2003***(opening, selling values)*

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

was conducted in the period from 1 to 3 September, and thus the results do not reflect the aforementioned developments in the remainder of the month.

**Table 4**

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

(September 2003)

		Exchange rate forecasts			
	Statistical data	1-month	3-month	6-month	12-month
USD per EUR	Mean	1,09	1,10	1,12	1,16
	Minimum	1,05	1,00	1,00	1,00
	Maximum	1,15	1,17	1,22	1,29
	Number of observations	51	50	50	48
USD per GBP	Mean	1,58	1,59	1,60	1,62
	Minimum	1,54	1,53	1,50	1,42
	Maximum	1,64	1,68	1,72	1,74
	Number of observations	50	49	49	47
JPY per USD	Mean	117,12	117,08	116,58	115,44
	Minimum	115,00	112,00	108,00	102,00
	Maximum	120,00	122,00	125,00	130,00
	Number of observations	50	49	49	47
GBP per EUR	Mean	0,69	0,69	0,70	0,71
	Minimum	0,67	0,64	0,64	0,65
	Maximum	0,71	0,73	0,76	0,78

Source: Reuters. The survey was conducted in the period 1-3 September 2003.

**Cyprus pound**

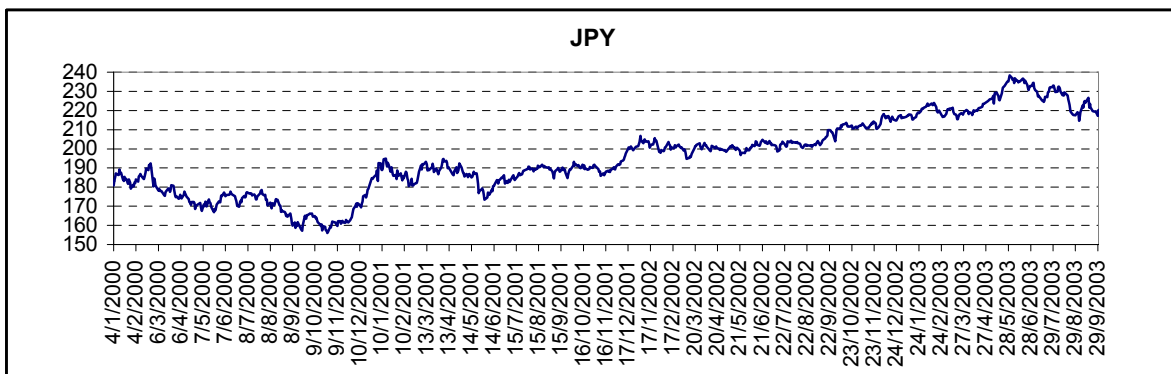
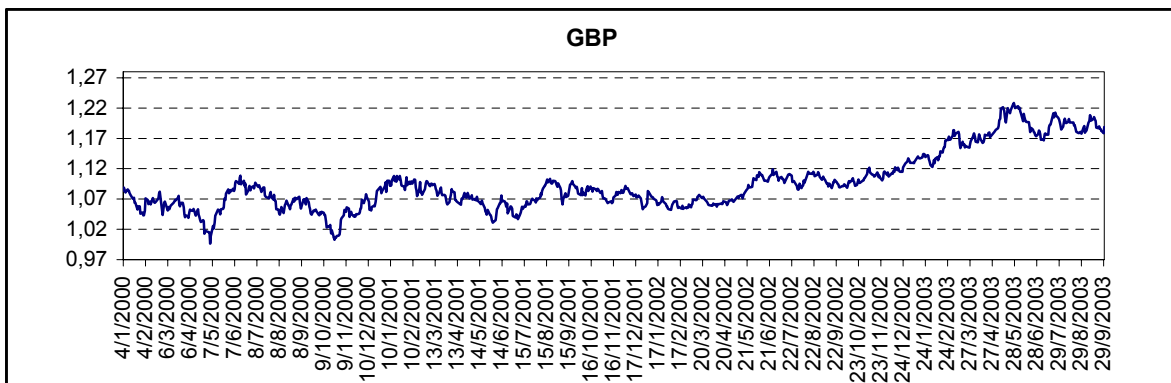
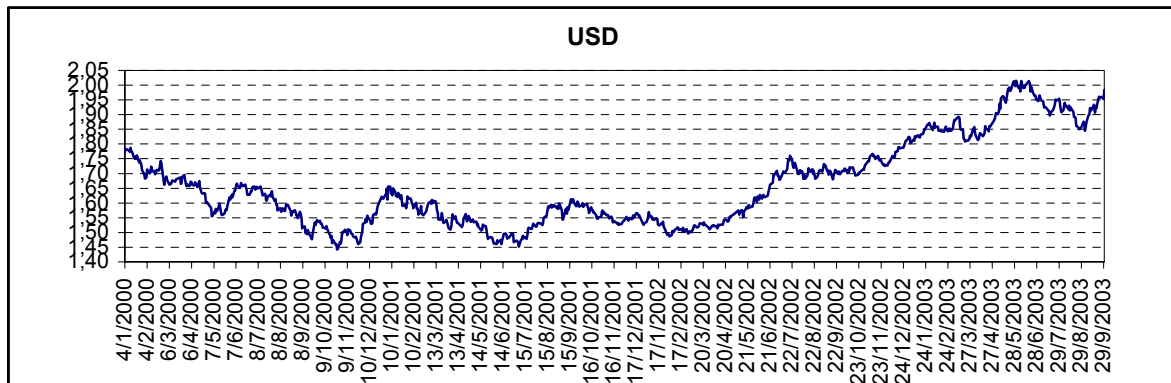
The Cyprus pound registered marginal fluctuations vis-à-vis the euro in September. On 30 September 2003, the Cyprus pound reached EUR 1,7110 (opening, selling rate), compared with EUR 1,7125 on 1 September 2003. Reflecting fluctuations in international currencies during this period, the Cyprus pound strengthened to USD 1,9991 on 30 September, from USD 1,8817 on 1 September. In the same period, the Cyprus pound fluctuated marginally

vis-à-vis the pound sterling. Specifically, on 30 September the exchange rate stood at GBP 1,1960 per CYP, compared with GBP 1,1940 per CYP on 1 September.

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

**Chart 2A****Exchange rate of the euro against the Cyprus pound****04/01/2000 – 30/09/2003***(opening, selling rate)*

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

**Chart 2B****Cyprus Pound against major international currencies****04/01/2000 - 30/09/2003***(opening, selling values)*

As regards the domestic foreign exchange market, net foreign exchange outflows of £2,08 million were registered in September, after net inflows of £51,57 million in August (table 5).

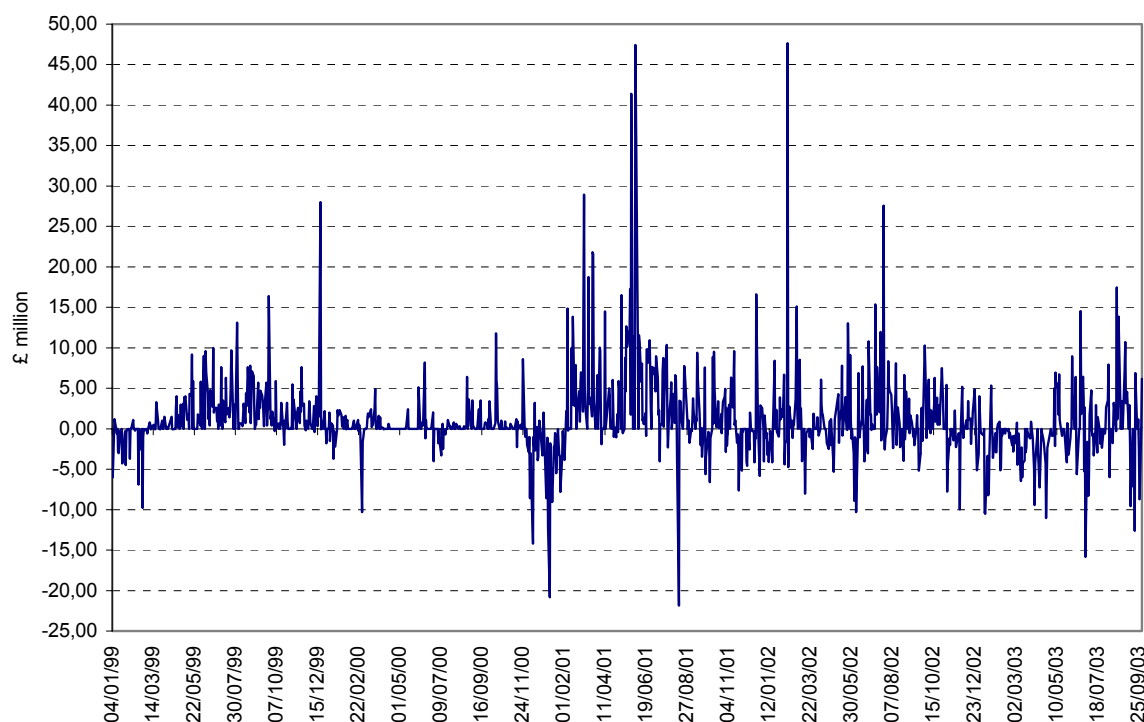
Daily purchases and sales of foreign exchange between the Central Bank of Cyprus and domestic banks since 1999 are illustrated in chart 3.

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

Period	Average intervention exchange rate Foreign currency per Cyprus pound (period average)			Purchases (+) / Sales (-) of foreign exchange by the Central Bank (based on transaction date)			
				In foreign currency (million)			In Cyprus pounds (million)
	Euro	US dollar	Pound sterling	Euro	US dollar	Pound sterling	
<u>Year</u>							
2001	1,7314	1,5602	1,0805	437,31	155,24	70,72	663,30
2002	1,7383	1,6445	1,0934	321,55	64,75	53,05	273,13
<u>Quarter</u>							
2002 Q1	1,7367	1,5226	1,0678	106,05	4,50	8,10	71,79
2002 Q2	1,7295	1,5882	1,0873	-12,25	17,30	33,80	34,44
2002 Q3	1,7397	1,7119	1,1054	205,55	13,85	-0,20	126,36
2002 Q4	1,7467	1,7472	1,1119	22,20	29,10	11,35	39,90
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,610	0,00	-116,28
2003 Q2	1,7050	1,9358	1,1963	-56,20	1,75	1,00	-33,09
2003 Q3	1,7073	1,9208	1,1927	50,60	0,45	0,30	30,01
<u>Month</u>							
December 2002	1,7453	1,7780	1,1209	13,20	8,80	2,60	14,96
January 2003	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February 2003	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March 2003	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April 2003	1,7050	1,8457	1,1749	-108,30	-1,40	0,00	-64,26
May 2003	1,7038	1,9728	1,2148	23,10	-0,35	1,00	14,21
June 2003	1,7063	1,9890	1,1991	29,00	0,00	0,00	16,96
July 2003	1,7026	1,9366	1,1919	-33,30	0,00	0,10	-19,47
August 2003	1,7053	1,9073	1,1940	88,30	0,05	-0,20	51,57
September 2003	1,7132	1,9226	1,1936	-4,40	0,40	0,40	-2,08

**Chart 3**

**Daily purchases / sales of foreign exchange by the Central Bank  
from the domestic banks  
4/1/1999-30/09/2003**



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

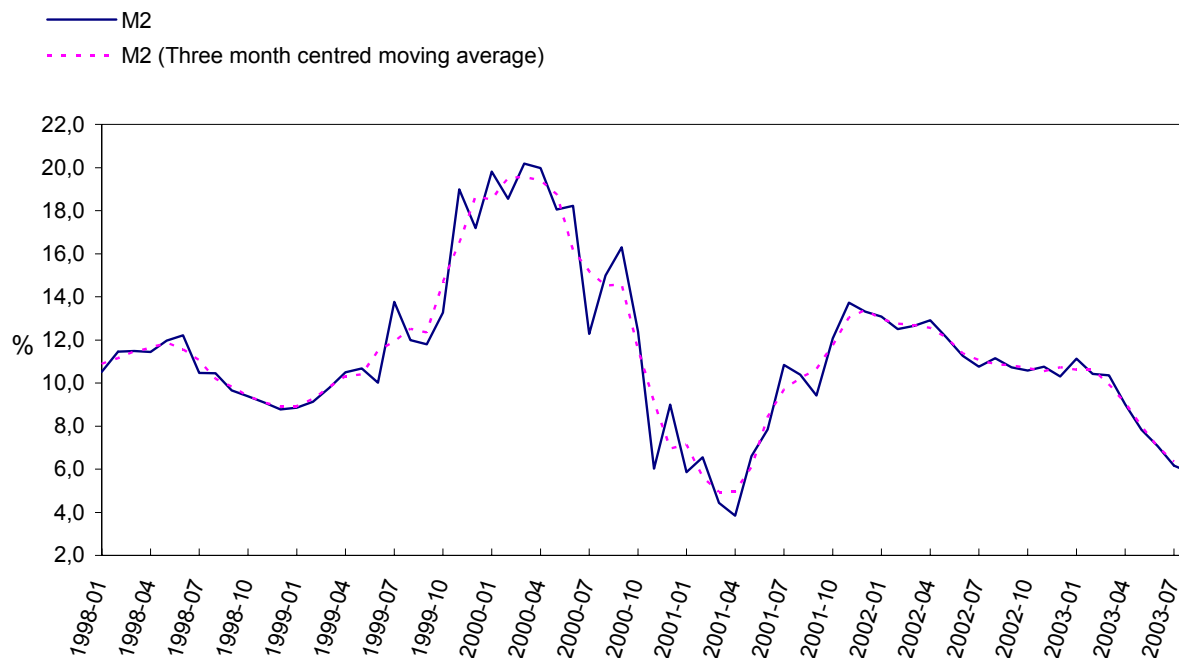
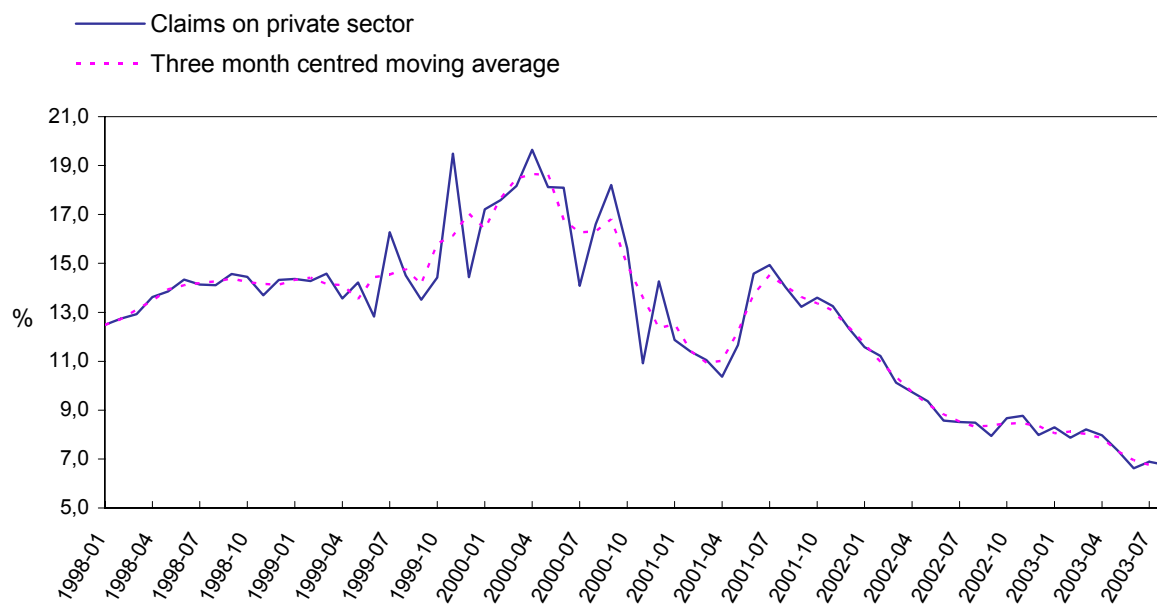
## 2.2 MONETARY DEVELOPMENTS

Excess bank liquidity persisted in August and September. Hence, the Central Bank of Cyprus continued to intervene in the money market through auctions for the acceptance of deposits for a period of 14 days.

The growth rate of the total money supply (M2), as well as the growth rate of bank credit slowed

in August. The slowdown has been observed since the beginning of the year. As indicated in the previous section, increased foreign exchange inflows were registered in August, but in September there was a small net outflow.



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

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

	1999	2000	2001	2002	2002 Aug.	2003 July	2003 Aug.
Money supply (M1)	41,5	-3,8	1,1	2,6	0,1	24,7	30,9
Total money supply (M2)	17,2	9,0	13,3	10,3	11,2	6,2	5,8
Claims on private sector	14,4	14,3	12,3	8,0	8,5	6,9	6,8

The annual growth rate of total money supply (M2) decelerated further in August 2003, reaching 5,8%, compared with 6,2% in July 2003 and 11,2% in August 2002 (table 6). The slowdown is confirmed by the three-month moving average, which indicates a decline in the annual growth rate of M2 to 6,4% in the period from June to August, from 7,0% in the period from May to July. The growth rate of the monetary aggregate M2C, which includes the co-operative credit institutions, also slowed further to 6,8% in August, according to provisional data, compared with 7,0% in July.<sup>1</sup>

The slowdown in the money supply in August compared with July is partly attributable to the small deceleration in bank credit to the private sector. Specifically, the annual growth rate of bank credit to the private sector declined from 6,9% in July to 6,8% in August 2003, compared with 8,5% in August 2002 (table 6). According to the three-month moving average, credit expanded at an annual rate of 7,0% in the period from May to July and by 6,8% in the period from June to August. The low rate of expansion of bank lending is attributable to subdued demand for loans by the private sector, due to the slowdown in economic activity, on the one hand, and to stricter assessment of loan applications by the banks, on the other.

<sup>1</sup> The monetary aggregate M2C is given with reservation, since the co-operative credit institutions are not supervised by the Central Bank of Cyprus and, in addition, the automation undertaken by the Co-operative Computers Society (SEM) Ltd. does not yet cover all the co-operative credit institutions.

Table 7 presents the factors affecting total money supply (M2), in absolute terms. As this table shows, the level of bank credit granted in the period from January to August 2003 is considerably below the corresponding level in the previous year. In the same period, net foreign assets fell by a much greater amount than in the corresponding period of 2002. By contrast, credit to the public sector increased. More specifically, in the first eight months of 2003, credit to the public sector increased by £229,6 million, compared with an increase of £46,4 million in the same period of the previous year, while claims on the private sector increased by £240,5 million, compared with a rise of £309,0 million last year. At the same time, net foreign assets fell by £182,0 million, compared with a decrease of £3,7 million in the first eight months of 2002.

Unclassified items fell by £256,7 million in the period from January to August 2003, compared with a decrease of £10,7 million in the same period of 2002. This fall is primarily due to the increase in the loan capital of banks and the rise in their projections for doubtful loans.

As regards the components of the total money supply (M2), in the first eight months of the year, the money supply M1 grew by £215,3 million, while quasi-money declined by £183,9 million. This development may be due to the partial substitution of deposits and to the stricter application of penalties in case of insufficient notice, which resulted in a shift from time deposits to demand deposits.

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

	Aug. 2003	Jan. - Aug.		July 2002/2003	Aug. 2002/2003
		2002	2003		
Foreign assets (net)	56.891	-3.722	-181.965	-265.409	-256.741
Claims on private sector	-29.206	308.964	240.455	527.208	515.525
Claims on public sector	6.375	46.424	229.613	441.975	437.445
Unclassified items	5.495	-10.683	-256.706	-229.748	-243.274
<b>Total money supply (M2)</b>	<b>39.555</b>	<b>340.983</b>	<b>31.397</b>	<b>474.026</b>	<b>452.955</b>
<b>Money supply (M1)</b>	<b>55.215</b>	<b>-54.148</b>	<b>215.267</b>	<b>237.470</b>	<b>295.769</b>
Currency in circulation	-2.762	14.168	26.073	48.148	48.224
Demand deposits	57.977	-68.316	189.194	189.322	247.545
<b>Quasi-money</b>	<b>-15.660</b>	<b>395.131</b>	<b>-183.870</b>	<b>236.556</b>	<b>157.186</b>

The analysis of bank credit by sector of economic activity (table 8) shows that in the period from January to August 2003, construction, personal and professional loans, and trade absorbed the largest part of new credit<sup>2</sup>, amounting to 39,2%, 37,8% and 10,2%, respectively. In the same period of the previous year, personal and professional loans dominated with a share of 39,5% of new credit. In absolute terms, personal and professional loans increased by £95,3 million in the period from January to August 2003, compared with an increase of £114,4 million in the same period of 2002. New credit for foreign and domestic trade also declined, from £71,5 million in the first eight months of 2002 to £25,8 million in the first eight months of 2003. By contrast, new credit for the construction sector increased from £65,3 million to £98,6 million. New credit for the tourism sector remained broadly unchanged at £23,5 million in the first eight months of 2003, compared with £23,3 million in the first eight

months of 2002. Credit to public institutions and corporations (including the government) registered a significant increase in the period from January to August 2003 compared with the same period of 2002. This development is attributable to the prohibition of direct financing of the public sector by the Central Bank, pursuant to the new Central Bank of Cyprus Law, which entered into force in July 2002.

According to provisional weekly data on credit to the private sector, in the period from 1 to 26 September 2003, net repayments of the order of £0,6 million were registered, compared with net credit amounting to £24,5 million in the same period of 2002. In the twelve months to 26 September 2003, new credit reached £481,7 million, indicating an annual growth rate of 6,3%, down from 8,4% in the corresponding period of the previous year.

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<sup>2</sup> The figures for new credit refer to net credit granted during the reference period.

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

	January - August			
	2002		2003	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations <sup>1</sup>	11.775	4,1	20.348	8,1
Agriculture	-6.946	-2,4	-2.461	-1,0
Mining	134	0,0	855	0,3
Manufacture	9.073	3,1	-3.057	-1,2
Transport and communication	793	0,3	-6.049	-2,4
Foreign and domestic trade	71.477	24,7	25.764	10,2
Building and construction	65.257	22,5	98.626	39,2
Tourism	23.342	8,1	23.463	9,3
Personal and professional loans	114.374	39,5	95.284	37,8
Bills discounted: Local	477	0,2	137	0,1
Foreign	-260	-0,1	-1.081	-0,4
<b>Total</b>	<b>289.496</b>	<b>100,0</b>	<b>251.829</b>	<b>100,0</b>

1) Including Government loans

Foreign currency loans<sup>3, 4</sup> to residents of Cyprus declined further in August, by £7,0 million, after a decrease of £0,1 million in July and an increase of £6,5 million in June. The proportion of credit in foreign currency to total credit remained stable at

10,4% in July and August, compared with 10,1% in August 2002 (table 9). Provisional data for the period from 1 to 26 September 2003 indicate a decline in foreign currency loans to residents of about £11,2 million.

<sup>3</sup> The figures for foreign currency loans in this section include only foreign currency loans granted to residents by domestic banks.

<sup>4</sup> Loans from banks abroad to Cypriot residents registered net repayments of £12,8 million in the first quarter of 2003, according to balance of payments statistics. Long-term loans from international banking units in Cyprus registered net repayments of £2,2 million in the first seven months of 2003.

**Chart 9****Claims on private sector<sup>1</sup>***(change, CYP thousand)*

	2003 June	2003 July	2003 Aug.
Foreign currency loans to residents	6,5	-0,1	-7,0
Claims on private sector	126,9	3,8	-29,2

*(end of period balances, CYP million)*

	2000	2001	2002	2002 Aug.	2003 July	2003 Aug.
Foreign currency loans to residents	372,0	733,0	785,2	770,7	851,7	844,7
Claims on private sector	6516,0	7320,1	7904,1	7629,0	8173,8	8144,6
Share %	5,7	10,0	9,9	10,1	10,4	10,4

*1) From local banks.*

The proportion of loans denominated in euros to total loans in foreign currencies stood at 69,4% at the end of August, while the proportions of loans in US dollars, Japanese yen and Swiss francs were 10,3%, 8,0% and 10,6%, respectively. According to data on long-term foreign currency loans, in the first seven months of the year, 21,5% of such loans were used for construction in Cyprus, 58,0% for refinancing<sup>7</sup> and 12,8% for the acquisition of fixed assets.

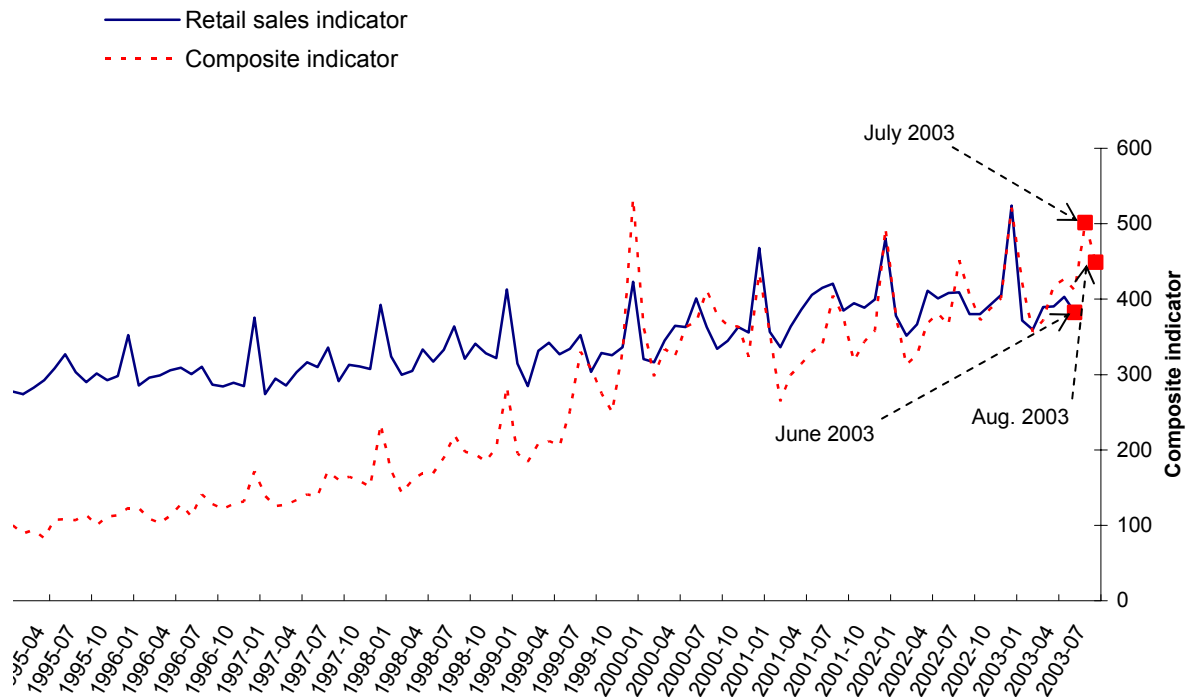
As regards credit extended through credit cards, domestic expenditure by Cypriots through credit cards rose by 12,3% in August 2003 compared with the same month of 2002. The corresponding increase for August 2002 was 16,5%. Expenditure abroad by Cypriots through credit cards decelerated considerably, with a growth

rate of 9,6%, down from 20,2% in the same month of the previous year. Expenditure in Cyprus by foreign card holders increased by 4,3% in August 2003 compared with the same month of 2002, after an increase of 1,6% in July 2003. The corresponding increase for August 2002 was 4,0%. The observed acceleration is consistent with the increase in tourist arrivals during August 2003.

Data on credit cards and other monetary figures, such as cheque clearing, which are available timely, may provide an indication of the course of retail sales. Chart 6 shows the retail sales value index, for which data are available up to June 2003, and the composite indicator,<sup>8</sup> for which data are available up to August 2003.

<sup>7</sup> Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans to a different currency.

<sup>8</sup> The composite indicator comprises domestic expenditure by Cypriots through credit cards and cheque clearing (*Monetary Policy Report*, September 2002).

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

As seen in chart 6, the composite indicator increased in July and declined in August. This course is consistent with the official end of the summer discount period in August, as well as the fact that August is the par excellence vacation month for Cypriots, which implies negative effect on retail sales. On the

basis of the behaviour of the composite indicator, the predictive ability of which was proven adequate in previous months, a similar movement of the retail sales value index is expected in July and August. Overall, excluding seasonal factors, the graph indicates that retail sales remained weak.



## Money market

Excess bank liquidity conditions continued to prevail in the money market in August and September. Consequently, the Central Bank intervened in the money market through auctions for the acceptance of deposits (depos), absorbing an average daily liquidity of £146,8 million in August and £174,5 million in September, compared with £117,7 million in July and £136,7 million in June (table 11).

The increase in bank liquidity in August compared with the previous month emanated mainly from the decrease in government deposits and the increase in net foreign assets, from an average daily value of £1.075,1 million in July to £1.104,4 million in August. Net foreign assets increased further in September, while government deposits also increased and currency in circulation decreased. The net effect of these changes was a further small increase in bank liquidity in September.

Concerning government deposits, as shown in table 11, the average daily value of net deposits

(i.e. deposits minus the Central Bank's long-term loan to the government) decreased to -£343,6 million in August, from -£332,7 million in July. During August, issues of government securities amounted to net sales of £68,6 million through auctions held around the end of the month. Thus, government deposits increased around the end of August, but recorded a decrease on average for the whole month. In contrast, net repayments of government securities amounting to £37,7 million were recorded in September, and the Central Bank had to absorb increased liquidity in that month.

The monthly average interest rate in the auctions for the acceptance of deposits declined to 3,28% in August, from 3,34% in July and 3,39% in June. In September, two auctions were held, which absorbed a total amount of £339,0 million at an average interest rate of 3,41%. Another auction took place on 9 October and resulted in the absorption of £130,0 million at an average interest rate of 3,47%.

**Table 10**

### Interest rates

(percentages per annum)

	2000	2001	2002	2002 Sep.	2003 July	2003 Aug.	2003 Sep.
Interbank (1day)	5,96	4,93	3,42	3,72	3,19	3,09	3,35
Repos	5,97	6,39					
Reverse repos/depos	4,44	4,59	3,91	3,99	3,34	3,28	3,41
Treasury bills (13 weeks)	5,75	6,00	4,02		3,51		
Treasury bills (52 weeks)	6,21	6,35	4,30	4,28	3,63	3,64	
Development stocks (2 years)	6,55	6,11	4,56	4,53	3,69	3,69	
Development stocks (5 years)	7,45	6,96	5,07	5,10	4,45	4,48	
Development stocks (10 years)	7,55	7,66	5,37				
Development stocks (15 years)		6,47	5,60				

**Table 11****Banking system's liquidity position***(CYP million, period averages of daily positions)*

	Liquidity - providing factors					Liquidity - absorbing factors						Credit institutions current accounts (MRA)	Base money  (6+7+9+12)
	Monetary policy operations					Deposit facility (overnight)	Other liquidity-absorbing operations (additional & special & S.M.E. dep.)	Rev-repos & depos	Currency in circulation	Central Govern. deposits (net)	Other factors (net)		
	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)								
	1	2	3	4	5	6	7	8	9	10	11	12	13
2001 Sep.	1.359,6	0,0	0,0	0,0	0,0	58,7	79,6	94,8	386,0	89,4	189,3	461,8	986,1
Oct.	1.358,1	0,0	0,0	2,3	0,1	19,4	79,6	104,7	384,3	58,0	250,0	464,5	947,8
Nov.	1.372,1	0,0	0,0	2,3	0,0	13,3	79,4	118,5	366,5	54,6	275,5	466,6	925,8
Dec.	1.334,4	0,0	0,0	3,6	0,0	8,3	79,4	111,9	385,3	10,5	274,6	468,1	941,1
2002 Jan.	1.309,0	0,0	0,0	0,8	0,0	16,4	79,4	174,3	377,6	64,7	124,2	473,1	946,6
Feb.	1.384,4	0,0	0,0	0,6	0,0	14,5	79,4	131,3	363,9	169,8	137,7	488,6	946,4
Mar.	1.684,4	0,0	0,0	3,3	0,0	24,8	79,4	189,9	367,4	369,6	167,3	489,2	960,9
Apr.	1.637,5	0,0	0,0	3,4	0,0	17,6	79,4	267,7	379,4	121,7	284,6	490,7	967,0
May	1.632,1	0,0	0,0	1,0	0,0	11,2	79,4	287,6	400,1	98,2	263,2	493,4	984,1
June	1.576,3	0,0	0,0	0,6	0,0	26,0	79,4	366,9	403,1	-16,3	221,6	496,3	1.004,7
July	1.403,2	0,0	0,0	1,5	0,0	41,5	79,4	405,2	413,5	-212,0	179,6	497,5	1.031,9
Aug.	1.465,0	0,0	0,0	1,9	0,0	21,9	79,5	427,1	422,7	-166,4	176,7	505,4	1.029,5
Sep.	1.450,9	0,0	0,0	8,6	0,0	2,2	79,3	392,3	413,0	-127,4	190,7	509,3	1.003,9
Oct.	1.461,3	0,0	0,0	0,3	0,0	10,5	79,4	332,6	413,3	-98,8	213,4	511,2	1.014,4
Nov.	1.446,9	0,0	0,0	0,6	0,0	4,7	79,5	385,3	399,9	-135,9	201,8	512,1	996,2
Dec.	1.371,4	0,0	0,0	0,0	0,0	36,2	79,3	412,0	425,4	-330,1	231,9	516,6	1.057,6
2003 Jan.	1.340,4	0,0	0,0	3,5	0,0	29,3	79,3	438,9	413,6	-315,3	172,7	525,3	1.047,6
Feb.	1.280,1	0,0	0,0	0,4	0,0	32,4	79,3	325,0	402,2	-276,0	181,8	535,8	1.049,7
Mar.	1.210,2	0,0	0,0	10,3	0,0	11,1	79,4	308,5	404,4	-309,5	188,5	538,1	1.032,9
Apr.	1.141,6	0,0	0,0	0,2	0,0	14,7	79,4	210,4	422,4	-328,7	208,4	535,0	1.051,6
May	1.112,4	0,0	0,0	3,2	0,0	13,4	79,4	152,3	438,8	-315,7	214,8	532,6	1.064,2
June	1.095,7	0,0	0,0	1,6	0,0	9,9	79,3	136,7	447,1	-309,5	204,0	529,8	1.066,1
July	1.075,1	0,0	0,0	0,0	0,0	27,6	79,3	117,7	462,2	-332,7	193,2	527,8	1.096,9
Aug.	1.104,4	0,0	0,0	0,0	0,0	24,0	79,3	146,8	471,3	-343,6	196,6	530,0	1.104,6
Sep.	1.141,1	0,0	0,0	2,6	0,0	14,0	79,7	174,5	465,9	-301,8	184,4	530,0	1.089,6

The overnight interest rate in the interbank market declined from an average of 3,19% in July to 3,09% in August, but then increased to 3,35% in September. Government security yields did not change significantly in August. The average yield of 52-week treasury bills was 3,64%, while the average interest rate on two-year and five-year bonds was 3,69% and 4,48%, respectively. There were no auctions for other government securities (13-week treasury bills, 10-year and 15-year bonds) in August. In

September, there were no auctions for any government securities.

Table 12 gives a comparison of domestic long-term interest rates and European Union rates. According to the latest available data, which refer to May, domestic long-term real interest rates remained below the corresponding rates in the European Union, with a differential of 159 basis points. The latest twelve-month average of long-term nominal interest rates in Cyprus was 4,94%.

**Table 12**

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

*(latest 12-month average)*

	Inflation ( HICP )	Long-term interest rates	Long-term real interest rates
Belgium	1,20	4,50	3,30
Denmark	2,50	4,60	2,10
Germany	1,10	4,40	3,30
Greece	3,70	4,60	0,90
Spain	3,60	4,50	0,90
France	2,00	4,40	2,40
Ireland	4,60	4,50	-0,10
Italy	2,80	4,60	1,80
Luxembourg	2,60	4,10	1,50
Netherlands	3,30	4,40	1,10
Austria	1,60	4,50	2,90
Portugal	3,90	4,50	0,60
Finland	1,60	4,50	2,90
Sweden	2,00	4,90	2,90
United Kingdom	1,30	4,60	3,30
Euro zone	2,20	4,50	2,30
EU -15	2,00	4,50	2,50
Cyprus <sup>1)</sup>	4,03	4,94	0,91

1) The table has been revised so that Cyprus inflation is based on the Harmonised Index of Consumer Prices as in the other EU countries.

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

The European Central Bank, the US Federal Reserve System and the Bank of England maintained their official interest rates unchanged at their recent meetings. The Central Bank of Cyprus also maintained interest rates on hold at the meeting of 5 September.

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

**Table 13**

#### **Official interest rates**

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

		change
European Central Bank (2 October 2003)		
Minimum bid rate on the main refinancing operations	2,00	-
Interest rate on the marginal lending facility	3,00	-
Interest rate on the deposit facility	1,00	-
Bank of England (9 October 2003)		
Repo Rate	3,50	-
Federal Reserve System (16 September 2003)		
Federal Funds Rate	1,00	-
Discount Rate	2,00	-
Central Bank of Cyprus (5 September 2003)		
Minimum bid rate on the main refinancing operations	3,50	-
Interest rate on the marginal lending facility	4,50	-
Interest rate on the deposit facility	2,50	-

### Cyprus Stock Exchange

The Cyprus Stock Exchange General Price Index exhibited an upward tendency in mid-August, but by the end of the month it declined to 88,7 points, still above its closing value in the previous month (chart 7). The index fluctuated in the range of 86,8 to 89,8 points in September, compared with a range of 85,6 to 94,3 points in August.

The average daily traded volume reached £0,9 million in August, but then declined to £0,8 million in September. The average daily number of transactions increased to 1.345 in August and

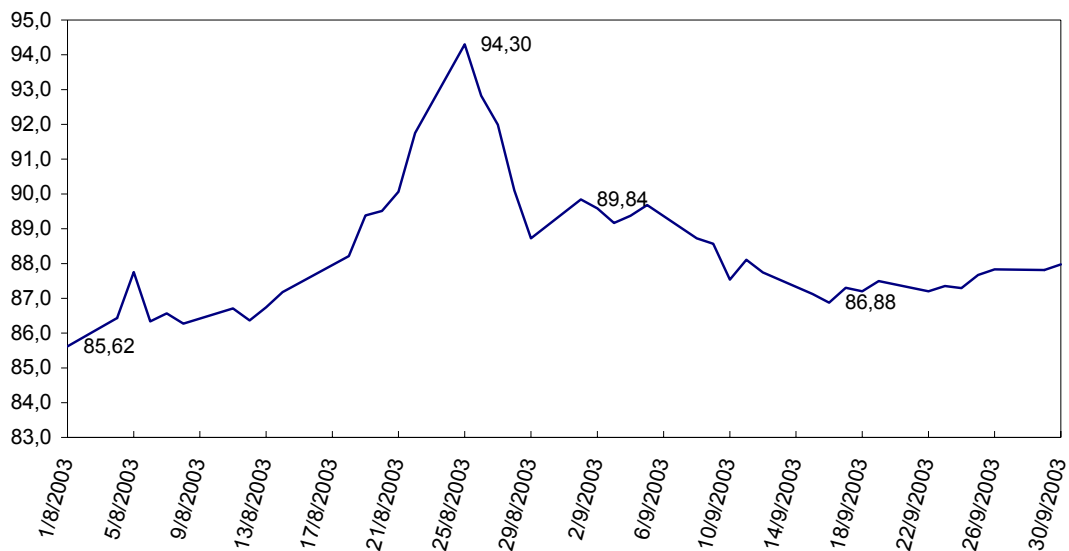
decreased to 1.105 in September, compared with 603 in July. Most sector indices registered an increase in the period from August to September. The securities with the largest proportion of the monthly traded volume in August were the shares of Bank of Cyprus and Laiki Bank, with corresponding proportions of 30,4% and 5,9%. In September, the shares with the largest proportions of the traded volume were those of Bank of Cyprus and Aristo Developers, with corresponding proportions of 25,0% and 5,5%.

#### Chart 7

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

August - September 2003

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



Concerning investments by non-residents on the Cyprus Stock Exchange, increased net inflows were recorded in August and September (table 14). Specifically, purchases of listed shares by

non-residents increased to £0,6 million in August, while sales increased to £0,1 million. In September, purchases rose to £2,2 million, while sales stood at £0,1 million.

**Table 14**

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

(CYP thousand)

	2001	2002	2003			
	Dec.	Dec.	June	July	Aug.	Sep.
Purchases	367	50	460	409	594	2.182
Sales	577	0	74	26	117	105
Net investments	-210	50	386	383	477	2.077

Source: Cyprus Stock Exchange

<sup>1</sup> The data for 2001 and 2002 refer only to purchases and sales of shares not included in the dematerialisation process. The data for 2003 consist of transactions in and out of the central securities depository.

## 2.3 INFLATION

Prices increased by 3,64% in September 2003, compared with an increase of 2,94% in August 2003 and 3,41% in September 2002. As table 15 indicates, the rise in the inflation rate in September compared with the previous month stemmed mainly from the acceleration in the prices of domestic agricultural goods, electricity and industrial non-oil goods. In parallel, services prices accelerated slightly. By contrast, the prices of motor vehicles declined further, while the prices of other imported goods accelerated somewhat.

The effect of the increase in the VAT standard rate from 10% to 13% effective July 2002 on the consumer price index (CPI) seems to have been absorbed by August 2003, whereas the additional increase by two percentage points effective 1 January 2003 continues to exert an upward pressure on the CPI.

Taking a more detailed look at domestic goods, in September 2003, an acceleration was registered in the prices of agricultural goods, industrial non-oil goods and electricity, which increased by 10,27%, 4,66% and 7,07%, respectively, compared with respective increases of 3,52%, 4,07% and 5,05% in August 2003. The acceleration in agricultural product prices is attributable primarily to a base effect arising from low prices in September 2002, while the acceleration in electricity prices emanated from the rise in oil prices in the summer months of 2003. The acceleration in the prices of non-oil industrial goods is attributable largely to the increase in the VAT standard rate by two percentage points since 1 January 2003.

Prices of imported goods declined further by 0,61% in September 2003, after a decrease of 0,36% in the previous month. In particular, the prices of motor vehicles decreased by 2,45% in September, compared with a decrease of 1,39% in August. This decline seems to reflect to some extent the numbness of the market, in anticipation of a reduction in taxes on various types of vehicles. The prices of other imported goods registered a small increase.

Services prices increased by 4,06% in September 2003, compared with an increase of 3,98% in August 2003 and 4,47% in September 2002. The continuing decrease in telecommunication prices is noteworthy. Telecommunication prices have been decreasing since January 2002, thanks to the process of liberalisation of this sector of services.

As a result of the aforementioned developments, inflation rose to 4,35% in the first nine months of 2003, from 2,81% in the same period of 2002. The rise in inflation was driven mainly by the sizeable increases in the prices of domestic industrial non-oil goods, fuel and gas, as well as electricity, and to a lesser extent by the acceleration in services prices, which are largely attributable to the increase in the VAT rate and in other consumption taxes since July 2002 and January 2003.

A more detailed analysis of developments on the inflation front by economic origin is given in tables 7 to 10 in the annex.

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

		2001	2002	September 2002/2001	August 2003/2002	September 2003/2002
	<b>All items</b>	<b>1,98</b>	<b>2,81</b>	<b>3,41</b>	<b>2,94</b>	<b>3,64</b>
<b>A</b>	<b>Domestic goods</b>	<b>1,34</b>	<b>4,35</b>	<b>5,93</b>	<b>3,49</b>	<b>5,33</b>
A.1	Agricultural	4,50	1,79	-2,82	3,52	10,27
A.2	Industrial	0,78	5,62	8,81	3,77	3,85
A.2.1	<i>Industrial, non-oil</i>	<i>0,10</i>	<i>4,55</i>	<i>6,02</i>	<i>4,07</i>	<i>4,66</i>
A.2.2	<i>Fuel and gas</i>	<i>3,99</i>	<i>10,57</i>	<i>21,87</i>	<i>0,57</i>	<i>0,56</i>
A.3	Electricity	-3,23	-2,26	3,52	5,05	7,07
<b>B</b>	<b>Imported goods</b>	<b>0,47</b>	<b>-1,69</b>	<b>-3,22</b>	<b>-0,36</b>	<b>-0,61</b>
B.1	Motor vehicles	0,55	-5,07	-9,72	-1,39	-2,45
B.2	Other imported goods	0,41	0,85	1,62	0,33	0,61
<b>C</b>	<b>Services</b>	<b>3,35</b>	<b>3,67</b>	<b>4,47</b>	<b>3,98</b>	<b>4,06</b>

With regard to prospects for 2003, taking into account the effects of the tax measures implemented in mid-2002 and the measures implemented in January 2003 (including a further increase in the VAT standard rate to 15%), inflation is expected to rise to around 4,0% to 4,5% for the year as a whole. This projection is based on the framework of price analysis by economic origin, as presented above, and a set of technical assumptions. Specifically, it is assumed that average oil prices for the year will be around USD 28 per barrel, and that agricultural product prices will register an average increase of the order of 3,0% to 3,5%. It is also assumed that the Cyprus pound will remain strong in the remainder of the year, having a downward effect on inflation, through the prices of imported goods.

The Harmonised Index of Consumer Prices (HICP)<sup>9</sup> increased by 2,4% in August 2003, compared with a rise of 4,1% in the same month of 2002. For the period from January to August 2003, the HICP rose by 4,3%, compared with 2,6% in the same period of 2002.

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

<sup>9</sup> The HICP is compiled with uniform methodology in European Union member states as well as the acceding countries, in the framework of Council and Commission regulations.

The main differences between the HICP and the national CPI, which has been traditionally compiled and used in Cyprus, are the following:

-Different base year: 1996=100 for the HICP, whereas for the national CPI 1998=100.

-Different population consumption coverage and different weighting of goods and services. The HICP covers all consumption expenditures taking place within Cyprus (i.e. including expenditure by foreign visitors and by persons living in institutions, while excluding the expenses of permanent residents of Cyprus when they are abroad), whereas the national CPI covers the expenditures of resident households only.

-Different frequency of revision of the weights and the composition of the basket of goods and services.

-Imputed rents for owner occupied residences are excluded from the HICP, whereas they are included in the national CPI.



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

	Inflation rate	month	forecast for 2003 <sup>1</sup>
Cyprus	3,6	Sept.	4,2 <sup>2</sup>
Euro area	2,1	Sept.	2,0
U.S.A.	2,2	Aug.	2,2
G.Britain	2,9	Aug.	2,7
Germany	1,1	Sept.	1,0
Italy	2,8	Sept.	2,7
Denmark	1,7	Aug.	2,2
France	1,9	Aug.	1,8
Austria	1,1	Aug.	1,3
Belgium	1,8	Sept.	1,4
Spain	3,0	Aug.	3,0
Sweden	1,7	Aug.	2,2
Switzerland	0,5	Sept.	0,6
Japan	-0,3	Aug.	-0,3
Canada	2,0	Aug.	2,7

*(1) Source: The Economist (4/ 10/ 03)**(2) Source: Central Bank of Cyprus***2.4 DOMESTIC ECONOMY**

An overview of the domestic economy is presented in table 17, which gives a series of the latest economic indicators. Charts 8 and 9 show graphs of a number of relevant indicators. According to these data, tourist arrivals continued to register a sizeable cumulative decrease for the first eight months of the year, notwithstanding the 6,9% increase recorded in August, for the first time since February 2003. In parallel, other important indicators of supply and demand point to a continuing slowdown in economic activity. In the first nine months of 2003, unemployment increased in comparison with the corresponding months of 2002.

**Production**

As regards the services sector, and in particular tourism, after decreasing by 2,8% in July 2003, tourist arrivals increased by 6,9% in August

2003, compared with a fall of 18,8% in August 2002. Consequently, tourist arrivals registered a cumulative decrease of 6,9% for the first eight months of 2003, compared with a fall of 14,0% in the same period of 2002. In parallel, receipts from tourism fell by 13,9% in the first seven months of 2003, compared with a decrease of 11,1% in the same period of 2002.

In the secondary sector, the picture remained mixed. On the one hand, construction continued to show positive signs, and on the other hand, manufacturing continued to show a downturn.

Specifically, the volume index of building permits, which indicates prospects for the construction sector in the following few months, rose by 21,6% in June 2003, compared with an increase of 8,3% in the same month of 2002. The value index of building permits rose by 18,4% in June 2003, compared with an increase of 9,7% in the same month of the previous year. For the first half of 2003, the volume and value indices of building permits registered a rise of 19,6% and 23,4%, respectively, compared with an increase of 4,0% and 6,1%, respectively, in the first half of 2002. Cement sales in the domestic market grew by 17,1% in August 2003, compared with a decrease of 2,4% in the same month of 2002. For the period from January to August 2003, cement sales registered an increase of 8,4%, compared with an increase of 9,7% in the same period of the previous year.

**Table 17**  
**Latest economic indicators**

	2000	2001	Latest month with available data		Corresponding month of the previous year		Latest period with available data		Corresponding period of the previous year	
Consumer price index (% change)	2,0	2,8	Sept. 2002	3,4	Sept. 2003	3,6	Jan.-Sept. 2002	2,8	Jan.-Sept. 2003	4,4
Unemployment rate (% of E.A.P)	3,0	3,2	Sept. 2002	2,9	Sept. 2003	3,2	Jan.-Sept. 2002	3,2	Jan.-Sept. 2003	3,6
Fiscal deficit(-)/surplus(+) (% of GDP)	-166,5	-220,0	Jan.-Jun. 2002	-100,7	Jan.-Jun. 2003	-186,7	Jan.-Jun. 2002	-100,7	Jan.-Jun. 2003	-186,7
Tourist arrivals (% change)	0,4	-10,3	Aug. 2002	-18,8	Aug. 2003	7,8	Jan.-Aug. 2002	-14,0	Jan.-Aug. 2003	-6,7
Tourist revenue (% change)	7,0	-11,0	Jul. 2002	-16,3	Jul. 2003	-5,2	Jan.-Jul. 2002	-11,1	Jan.-Jul. 2003	-13,9
Cypriots traveling abroad (% change)	16,8	8,7	Aug. 2002	5,4	Aug. 2003	-9,9	Jan.-Aug. 2002	1,4	Jan.-Aug. 2003	-0,4
Volume index of retail sales (% change)	5,9	1,0	Jun. 2002	-1,4	Jun. 2003	-7,7	Jan.-Jun. 2002	1,2	Jan.-Jun. 2003	-3,2
Private car registration (% change)	19,2	24,5	Sept. 2002	7,6	Sept. 2003	-7,1	Jan.-Sept. 2002	19,4	Jan.-Sept. 2003	15,7
Volume index of manufacturing production (% change)	-2,0	-2,5	Jun. 2002	-2,5	Jun. 2003	-2,5	Jan.-Jun. 2002	-2,1	Jan.-Jun. 2003	-4,8
Volume index of building permits authorised (% change)	23,4	10,8	Jun. 2002	8,3	Jun. 2003	21,6	Jan.-Jun. 2002	4,0	Jan.-Jun. 2003	19,6
Value index of building permits authorised (% change)	26,2	13,0	Jun. 2002	9,7	Jun. 2003	18,4	Jan.-Jun. 2002	6,1	Jan.-Jun. 2003	23,4
Local sales of cement (% change)	11,6	12,2	Aug. 2002	-2,4	Aug. 2003	17,1	Jan.-Aug. 2002	9,7	Jan.-Aug. 2003	8,4
Total imports (c.i.f.) (% change)	2,4	-1,7	Jun. 2002	-10,5	Jun. 2003	-9,2	Jan.-Jun. 2002	-0,4	Jan.-Jun. 2003	-11,4
Imports for home consumption (c.i.f.) <sup>1</sup> (% change)	8,7	3,8	Jun. 2002	-5,5	Jun. 2003	1,6	Jan.-Jun. 2002	3,3	Jan.-Jun. 2003	-6,6
Total exports (f.o.b.) (% change)	6,1	-18,6	Jun. 2002	-42,1	Jun. 2003	17,2	Jan.-Jun. 2002	-19,1	Jan.-Jun. 2003	-7,2
Domestic exports(f.o.b.) (% change)	4,5	-5,1	Jun. 2002	-39,5	Jun. 2003	27,3	Jan.-Jun. 2002	-3,8	Jan.-Jun. 2003	-7,5
Trade deficit (£ million)	-1900,7	-1975,3	Jun. 2002	-159,3	Jun. 2003	-134,0	Jan.-Jun. 2002	-994,9	Jan.-Jun. 2003	-870,0

(1) Non-oil civil imports

Manufacturing continued to present a negative picture. The volume index of manufacturing production registered a contraction of 4,8% in the

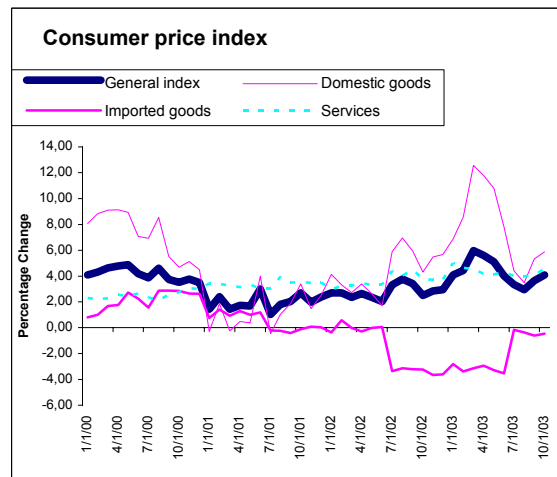
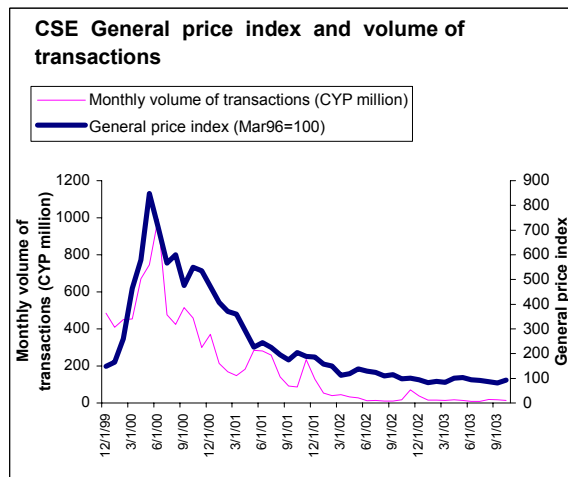
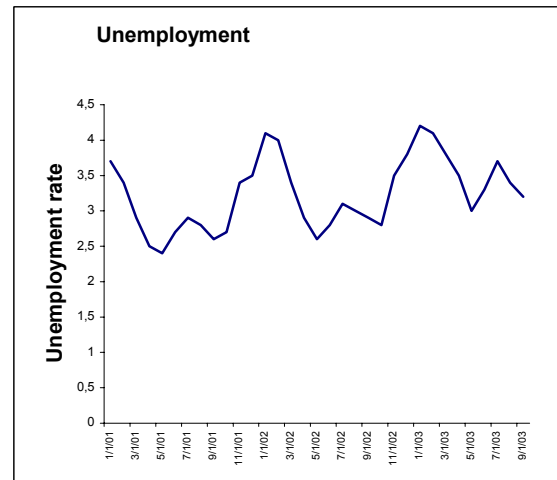
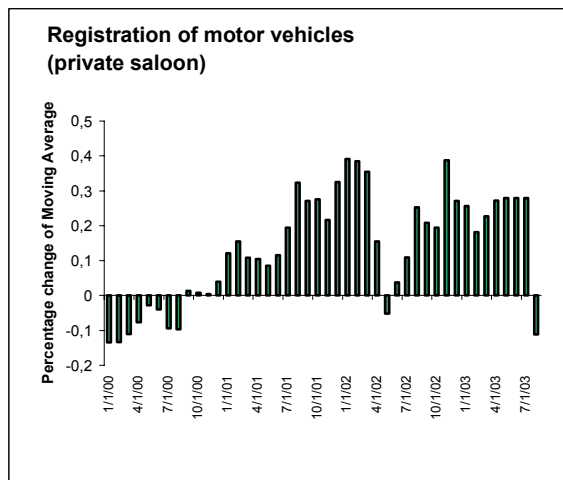
first half of the year, compared with a decrease of 2,1% in the first half of 2002 (table 18).

**Table 18**

**Manufacturing production volume index**

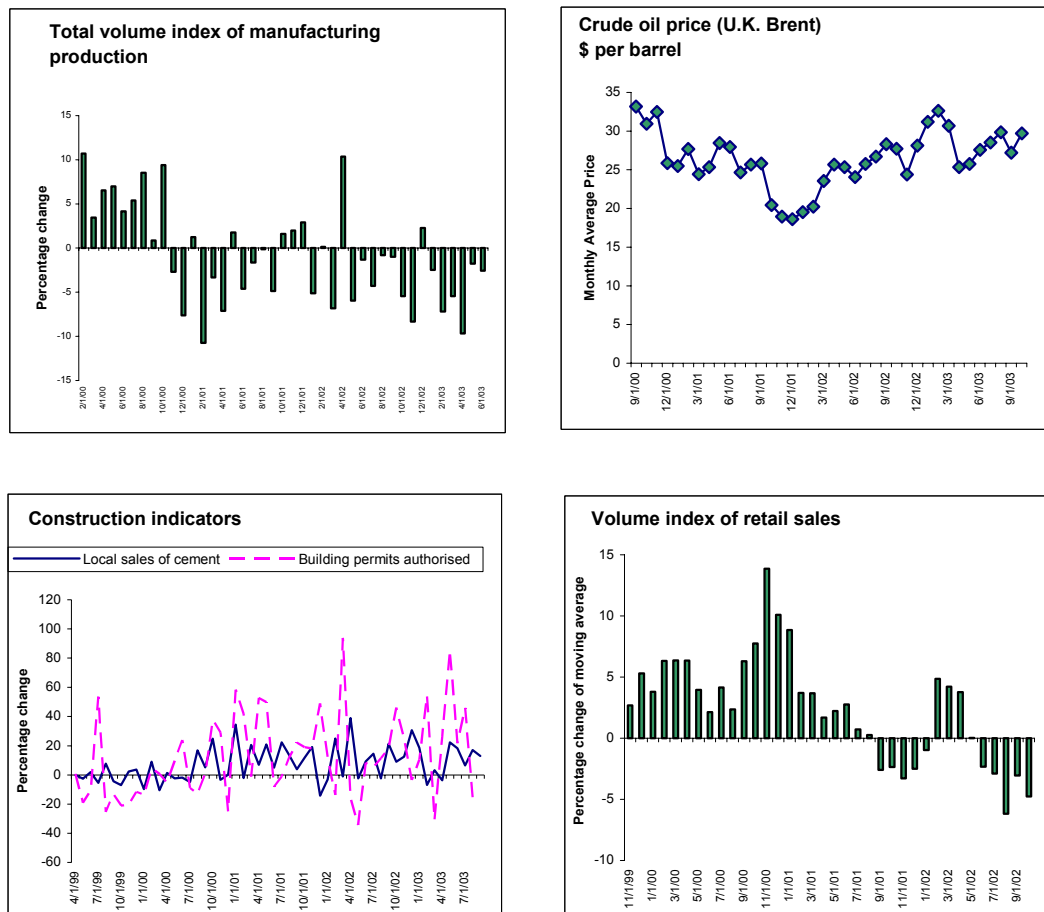
*(percentage change by category)*

	Jun. 01/00	Jun. 02/01	Jan.-Jun. 01/00	Jan.-Jun. 02/01
General index	<b>-2,5</b>	<b>-2,5</b>	<b>-2,1</b>	<b>-4,8</b>
Food products, beverages & tobacco	-16,5	2,4	-8,1	-3,8
Textiles & textile products	-23,4	-26,2	-13,9	-28,3
Leather and leather products	-7,2	-35,3	-4,5	-38,7
Wood & wood products	20,0	-3,9	-0,5	-3,4
Paper, paper products, publishing & printing	-10,2	-1,3	-2,7	-2,9
Refined petroleum products	-3,9	-2,4	-1,5	-6,7
Chemicals, chemical products and man-made fibres	-5,0	-3,5	4,2	-6,2
Rubber and plastic products	9,3	-3,3	5,6	-3,9
Other non-metallic mineral products	11,8	11,3	7,7	11,4
Basic metals & fabricated metal products	20,8	-9,8	6,7	-4,0
Machinery and equipment n.e.c.	9,4	-5,0	-0,2	-14,1
Electrical & optical equipment	5,6	-7,1	5,9	-9,3
Transport equipment	26,0	7,6	21,2	1,8
Manufacturing n.e.c.	33,6	-12,3	-1,1	-14,0

**Chart 8**

### Consumption

The retail sales volume index declined by 3,2% in the first half of 2003, compared with an increase of 1,2% in the first half of the previous year. In June 2003, the index fell by 7,7%, compared with a decrease of 1,4% in the same month of 2002.

**Chart 9**

Private saloon car registrations, which provide another important indicator of consumer behaviour, exhibited sizeable decreases in the last three months. Following the implementation of the tax reform on 1 July 2002, which included a significant reduction in excise taxes on cars, the sales of cars increased considerably up to June 2003. Since July 2003, however, car sales have registered a decline. This decline is

attributable to the expected reduction of taxes on various types of cars, which has been under discussion by the government and the parliament in recent months. More specifically, in July, August and September 2003, car registrations declined by 4,2%, 22,7% and 7,1%, respectively. For the period from January to September 2003, car registrations rose by 15,7%, compared with a rise of 19,4% in the same period of 2002.

Developments concerning non-oil imports for home consumption (excluding imports of military equipment) seem consistent with the sluggish domestic demand. These imports declined by 6,6% in the first half of 2003, compared with an increase of 3,3% in the first half of 2002.

Furthermore, the number of Cypriots travelling abroad decreased by 0,4% in the first eight months of 2003, compared with an increase of 1,4% in the same period of 2002.

**Table 19**

**Retail sales volume index**

*(percentage change by category)*

	Jun. 01/00	Jun. 02/01	Jan.-Jun. 01/00	Jan.-Jun. 02/01
General index	-1,4	-7,7	1,2	-3,2
Food, drinks and tobacco	-11,6	-5,3	-7,6	-3,9
Clothing and textiles	3,6	-8,4	3,6	2,6
Footwear & leather products	-4,2	10,4	3,3	6,0
Electrical goods & appliances	22,6	-32,9	9,0	-7,8
Vehicles, machinery & spare parts	4,2	-9,4	8,0	-4,0
Supermarkets	-14,2	-10,0	-2,8	-9,7
Pharmacies	-0,6	8,8	4,6	9,5
Furniture	48,1	-41,8	13,0	-18,5
Petrol stations	-3,5	31,4	1,2	16,0
Toys	-13,1	8,8	5,1	-16,5

### Confidence indicators

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

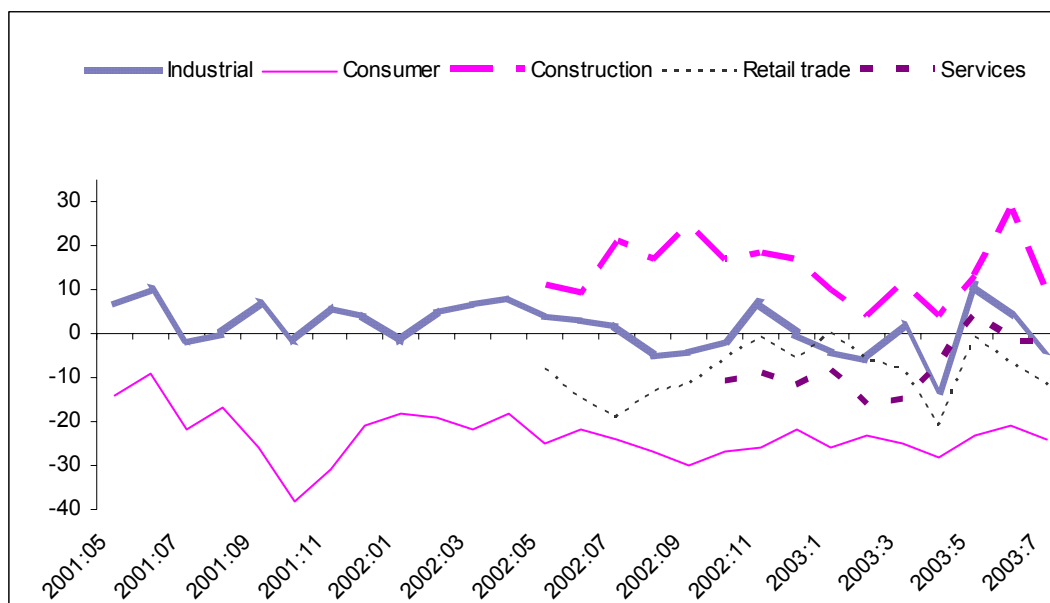
In particular, the construction confidence indicator registered an overall positive trend in 2002, notwithstanding the fluctuations observed. This trend is consistent with the satisfactory performance of the construction sector in 2002, as portrayed by the volume and value indices of building permits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

The observed fluctuations in the industrial confidence indicator in the first seven months of 2003 appear to reflect the uncertainty prevailing in this sector. With regard to services, the generally negative course of the confidence indicator in 2002 and in the first seven months of 2003 is consistent with the negative picture of the services sector – primarily tourism. In August and September 2003, the services confidence indicator registered a significant positive change, which seems to reflect the increase in tourist arrivals since August.

The consumer confidence indicator also followed a negative course, notwithstanding small increases in February, May, June and September 2003. This course is compatible with the considerable deceleration recorded in private consumption. The retail trade confidence indicator was also negative in the first nine months of 2003.

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<sup>10</sup> The European Commission publishes monthly confidence indicators for consumers, industry, construction, retail trade and services in the European Union member states and in the acceding countries. The released data refer to the end of each month and are based on surveys which are conducted by the national statistical institutes and harmonised by the European Commission.

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

According to the latest available data for the labour market, the number of registered unemployed rose by 12,7% in September 2003, while the unemployment rate, as a percentage of the economically active population, reached 3,2%, compared with 2,9% in the same month of the previous year. For the first nine months of 2003, the number of registered unemployed increased by 13,3%, compared with an increase of 12,1% in the same period of 2002, and the unemployment rate rose to 3,6%, from 3,2% in the first nine months of 2002. Rising unemployment has been observed since November 2001, concurrently with the recorded slowdown in the overall economic activity.

**Public finances**

According to data from the Ministry of Finance, the fiscal deficit increased to £186,7 million in the first half of 2003, from £100,7 million in the first half of 2002. Public revenue grew by 14,4%, compared with an increase of 2,1% in the same period of the previous year. Public expenditure also accelerated considerably, however, with a growth rate of 21,4%, compared with 8,8% in the same period of the previous year, thus leading to the observed increase in the fiscal deficit for the first half of the year.



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

Turning to public revenue, direct tax receipts declined, while indirect tax receipts accelerated substantially. In particular, income tax receipts registered a sizeable decrease, emanating from the economic slowdown and the tax reform. As regards indirect taxes, VAT receipts accelerated owing to the increase in the VAT standard rate, from 10% to 13% effective 1 July 2002, and from 13% to 15% effective 1 January 2003. Receipts from excise taxes also registered a sizeable increase, whereas import duties declined and social security fund contributions decelerated.

### ***Overall assessment and outlook of the domestic economy in 2003***

The Cypriot economy slowed in 2002, with real GDP growth around 2,0%, down from 4,1% in 2001. It appears that 2003 will also be a difficult year. The slowdown in economic activity is portrayed by the quarterly national accounts compiled by the Statistical Service for the second quarter. It should be noted that the growth rates registered in Cyprus for 2002 and 2003, albeit subdued, remain higher than in most European Union member states.

Concerning prospects for 2003, economic growth for the year will likely not be weaker than in 2002. As regards public finances, the Ministry of Finance expects the fiscal deficit to exceed 5,4% of GDP in 2003.

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

	Jan.-Jun. 2002	Jan.-Jun. 2003	Jan.-Jun. 02/01	Jan.-Jun. 03/02
	<i>CYP million</i>		<i>(% change)</i>	
<b>Total revenue and grants</b>	<b>915,8</b>	<b>1047,3</b>	<b>2,1</b>	<b>14,4</b>
Direct taxes	267,2	219,7	2,9	-17,8
Income tax	191,0	151,2	5,5	-20,8
Indirect taxes	371,7	481,1	3,3	29,4
Value added tax	178,0	244,8	6,4	37,5
Excise taxes	88,9	136,1	-1,1	53,0
Import duty	36,1	26,7	8,9	-26,0
Social security funds contributions	150,0	157,5	14,7	5,0
Other revenues	126,3	187,6	-13,5	48,5
Foreign grants	0,6	1,4	-37,6	149,4
<b>Total expenditure and net lending</b>	<b>1016,4</b>	<b>1234,0</b>	<b>8,8</b>	<b>21,4</b>
Current expenditure	937,9	1137,5	10,3	21,3
Goods and services	401,2	491,8	12,6	22,6
Wages and salaries	269,4	319,3	6,4	18,6
Pensions and gratuities	56,7	68,1	20,0	20,0
Social pensions	12,5	12,7	5,1	1,6
Other current transfers	149,8	205,6	16,8	37,3
Social security funds payments	146,6	158,3	12,9	8,0
Subsidies	15,5	42,9	-49,2	176,4
Interest	155,7	158,1	0,6	1,6
Capital expenditure	70,8	92,2	-6,4	30,1
Investment	53,2	71,3	-7,8	34,0
Capital transfers	17,6	20,9	-1,8	18,3
Net lending	7,6	4,3	-6,5	-43,6
<b>Fiscal surplus (+)/deficit(-)</b>	<b>-100,7</b>	<b>-186,7</b>	<b>173,6</b>	<b>85,5</b>

## 2.5 EXTERNAL TRANSACTIONS

### Goods

An overview of the trade balance in the first half of 2003 is given in table 21. Data for June are provisional.

According to these data, total imports fell by 11,4% in the first half of 2003, compared with a marginal decline of 0,4% in the first half of the previous year. Both imports for home consumption and imports destined for re-exports registered a significant decrease, of the order of 12,2% and 4,5%, respectively. Non-oil imports for home consumption excluding imports of military equipment fell by 6,6%, compared with an increase of 3,3% in the first half of 2002.

Turning to exports, the provisional data indicate that the decline in total exports was reversed in June 2003. Specifically, total exports rose by 17,2% in June 2003, compared with a fall of 42,1% in the same month of 2002. For the first half of 2003, total exports registered a decrease of 7,2%, compared with a decrease of 19,1% in the first half of 2002. Re-exports fell by 12,3% in the first half of 2003, notwithstanding the increase of 14,0% recorded in June. In parallel, domestic exports fell by 7,5%, compared with a decrease of 3,8% in the first half of 2002. It should be noted that the downturn in domestic exports, which has been observed since October 2002, appears to have been reversed in June 2003, with a rise of 27,3%, compared with a fall of 39,5% in the same month of 2002.

As a result of these developments, the crude trade deficit narrowed to £870,0 million in the

first half of 2003, from £994,9 million in the first half of 2002. This improvement is partly attributable to the improvement in the terms of trade, due to the appreciation of the Cyprus pound in the first half of 2003, and to the absence of aircraft imports, in contrast to the purchase of an aircraft valued at £22,4 million in the first half of 2002.

Tables 22 and 23 present the latest available data on the breakdown of imports for home consumption and domestic exports, respectively, by category of goods. The data cover the period up to May 2003.

Concerning imports for home consumption, table 22 shows that in the period from January to May 2003, imports of consumer goods fell by 9,2%, compared with an increase of 8,1% in the same period of 2002, while imports of intermediate inputs declined by 3,5%, compared with a marginal increase of 0,1% in the period from January to May 2002. Imports of capital goods decreased by 1,4%, compared with a decrease of 10,7% a year earlier, although a strong rebound was observed in the sub-categories of construction and mining, and transport, storage and communication. Imports of transport equipment and parts thereof registered a sharp decline of 21,5%, which is largely attributable to the purchase of an aircraft valued £22,4 million by Cyprus Airways in May 2002. If this purchase is excluded, the decrease in imports of transport equipment and parts thereof is reduced to 4,3%.

As regards domestic exports (table 23), in the period from January to May 2003, sizeable decreases were recorded in the exports of raw

agricultural products and industrial products of manufacturing origin, including the exports of pharmaceuticals, which fell by 17,6%.

**Table 21**

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

(CYP million)

	2001	2002	2001/2000 yearly % change	2001 Jan. - June	2002 Jan. - June	2003 Jan. - June	2002/2001 % change Jan. - June	2003/2002 % change Jan. - June
<b>Total imports (cif)</b>	2.528,7	2.486,6	-1,7	1.266,6	1.261,0	1.116,9	-0,4	-11,4
Imports for home consumption (cif)	2.176,8	2.256,5	3,7	1.069,4	1.139,9	1.001,2	6,6	-12,2
Non oil civil imports for home consumption (cif)	1.813,0	1.882,1	3,8	921,0	950,9	888,5	3,3	-6,6
<i>Imports destined for re-exports</i>	351,9	230,1	-34,6	197,2	121,2	115,6	-38,6	-4,5
<b>Total exports</b>	628,0	511,3	-18,6	328,9	266,2	246,9	-19,1	-7,2
Domestic exports (fob)	233,9	221,9	-5,1	127,5	122,6	113,5	-3,8	-7,5
Re-exports (fob)	337,0	247,1	-26,7	174,9	124,9	109,5	-28,6	-12,3
Shipstores	57,1	42,3	-1,7	26,6	18,6	23,9	-30,0	28,5
<b>Trade balance</b>	-1.900,7	-1.975,3	3,9	-937,7	-994,9	-870,0	6,1	-12,6

<sup>1</sup> Figures for June 2003 are provisional

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

	2001 yearly	2002 yearly	2001 Jan. - May	2002 Jan. - May	2003 Jan. - May	2002/2001 yearly % change	2002/2001 Jan. - May % change	2003/2002 Jan. - May % change
<b>Consumer goods</b>	<b>617,7</b>	<b>641,6</b>	<b>256,8</b>	<b>277,6</b>	<b>252,1</b>	<b>3,9</b>	<b>8,1</b>	<b>-9,2</b>
Non-durable	338,1	351,0	135,8	153,1	138,2	3,8	12,7	-9,7
Semi-durable	170,4	178,0	73,6	76,7	71,7	4,5	4,3	-6,5
Durable	109,2	112,6	47,4	47,9	42,2	3,1	1,0	-11,7
<b>Intermediate inputs</b>	<b>710,3</b>	<b>715,8</b>	<b>302,5</b>	<b>302,7</b>	<b>292,1</b>	<b>0,8</b>	<b>0,1</b>	<b>-3,5</b>
Agricultural	42,2	43,3	14,4	16,9	14,5	2,6	17,7	-14,2
Construction and mining	120,7	135,9	53,9	59,0	66,7	12,6	9,3	13,1
Manufacturing	421,8	419,3	176,9	180,1	168,4	-0,6	1,8	-6,5
Transport, storage and communication	29,4	26,2	15,6	8,5	10,2	-10,9	-45,7	20,1
Other sectors of the economy	96,2	91,1	41,7	38,3	32,1	-5,3	-8,0	-16,3
<b>Capital goods</b>	<b>258,3</b>	<b>242,8</b>	<b>113,7</b>	<b>101,6</b>	<b>100,2</b>	<b>-6,0</b>	<b>-10,7</b>	<b>-1,4</b>
Agricultural	8,8	8,6	4,1	3,9	3,1	-2,3	-4,6	-20,8
Construction and mining	20,6	21,2	8,2	8,5	9,8	2,9	3,6	14,9
Manufacturing	69,6	60,0	31,0	24,2	24,2	-13,8	-22,1	0,3
Transport, storage and communication	52,3	45,8	23,4	18,7	22,7	-12,4	-19,9	21,5
Other sectors of the economy	107,0	107,3	47,0	46,2	40,2	0,3	-1,6	-13,0
<b>Transport equipment and parts thereof</b>	<b>226,6</b>	<b>281,5</b>	<b>95,4</b>	<b>124,5</b>	<b>97,7</b>	<b>24,2</b>	<b>30,5</b>	<b>-21,5</b>
of which:								
passenger cars	94,6	160,1	61,7	70,0	62,6	69,2	13,4	-10,5
spare parts	61,3	66,3	31,8	30,3	33,7	7,5	-4,9	11,3
aircraft and parts	0,6	42,7	0,0	22,5	0,2			
<b>Fuels and lubricants</b>	<b>266,1</b>	<b>240,4</b>	<b>103,8</b>	<b>107,9</b>	<b>69,5</b>			
<b>Unclassified</b>	<b>97,9</b>	<b>134,3</b>	<b>9,7</b>	<b>38,7</b>	<b>22,6</b>			
<b>Imports for home consumption</b>	<b>2176,8</b>	<b>2256,4</b>	<b>882,0</b>	<b>953,0</b>	<b>834,2</b>	<b>3,7</b>	<b>8,1</b>	<b>-12,5</b>
Imports destined for re-exports	351,9	230,2	162,0	108,6	101,7	-34,6	-32,9	-6,4
<b>Total imports</b>	<b>2528,7</b>	<b>2486,6</b>	<b>1044,0</b>	<b>1061,7</b>	<b>935,9</b>	<b>-1,7</b>	<b>1,7</b>	<b>-11,8</b>
Memo item: Non oil civil imports for home consumption	1813,0	1882,1	768,5	806,8	742,1	3,8	5,0	-8,0

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

	2001 yearly	2002 yearly	2001 Jan. - May	2002 Jan. - May	2003 Jan. - May	2002/2001 yearly % change	2002/2001 Jan. - May % change	2003/2002 Jan. - May % change
<b>Agricultural products (raw)</b>	<b>43,8</b>	<b>36,9</b>	<b>23,4</b>	<b>26,0</b>	<b>25,0</b>	<b>-15,8</b>	<b>11,3</b>	<b>-4,0</b>
of which:								
potatoes	17,5	11,1	8,6	8,7	9,2	-36,6		
other vegetables	4,2	3,8	2,4	2,2	2,4	-15,8		
fresh, frozen or dried								
citrus fruit	14,7	18,3	9,9	14,1	12,3	24,5		
<b>Minerals and industrial products of mineral origin</b>	<b>11,6</b>	<b>10,5</b>	<b>4,6</b>	<b>4,3</b>	<b>4,7</b>	<b>-9,5</b>	<b>-7,4</b>	<b>10,9</b>
<b>Industrial products of agricultural origin</b>	<b>28,0</b>	<b>32,9</b>	<b>11,2</b>	<b>14,3</b>	<b>13,5</b>	<b>17,5</b>	<b>27,2</b>	<b>-5,3</b>
of which:								
halloumi cheese	7,7	10,9	2,9	4,8	4,2	41,6		
fruit preserved	0,9	0,9	0,3	0,3	0,2	0,0		
fruit and vegetable juices	4,1	4,7	1,6	2,4	2,0	14,6		
beer	1,0	0,9	0,5	0,4	0,2	-10,0		
wines	5,3	5,1	1,6	2,1	2,5	-3,8		
meat	2,9	4,5	1,5	2,1	1,7	55,2		
<b>Industrial products of manufacturing origin</b>	<b>150,5</b>	<b>141,6</b>	<b>58,4</b>	<b>60,0</b>	<b>47,3</b>	<b>-5,9</b>	<b>2,7</b>	<b>-21,2</b>
of which:								
cigarettes	10,8	4,5	4,9	1,7	1,6	-58,3		
cement	8,4	8,8	2,8	3,2	4,7	4,8		
pharmaceutical products	39,4	43,1	14,1	17,9	14,8	9,4	26,9	-17,6
articles of paper or of paperboard	6,0	5,5	2,3	2,7	2,1	-8,3		
clothing	19,7	16,0	7,4	6,4	3,9	-18,8	-13,2	-38,9
footwear	3,8	3,2	1,9	1,4	0,6	-15,8		
furniture	6,8	6,0	3,2	2,8	1,8	-11,8		
<b>Unclassified</b>	<b>0,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>			
<b>Domestic exports</b>	<b>233,9</b>	<b>221,9</b>	<b>97,6</b>	<b>104,6</b>	<b>90,5</b>	<b>-5,1</b>	<b>7,2</b>	<b>-13,5</b>
re-exports	337,0	247,1	141,9	107,4	89,5	-26,7	-24,3	-16,6
shipstores	57,1	42,3	14,2	9,6	15,3	-25,9	-32,4	59,4
<b>Total exports</b>	<b>628,0</b>	<b>511,3</b>	<b>259,7</b>	<b>226,0</b>	<b>199,9</b>	<b>-18,6</b>	<b>-13,0</b>	<b>-11,6</b>

*Source: Statistical Service of Cyprus*

### **Tourism**

Tourist arrivals recorded a significant increase of 6,9% in August 2003 compared with the same month of the previous year (table 24). For the period from January to August 2003, tourist arrivals registered a decrease of 6,9%, in comparison with the same period of 2002.

Receipts from tourism declined by 5,2% in July 2003 compared with the same month of the previous year. For the period from January to July 2003, receipts from tourism registered a fall of 13,9%, while tourist arrivals decreased by 10,0% (table 25). This implies a significant decline in per tourist expenditure, which is partly attributable to the decline in daily tourist expenditure, both in and outside hotels.

### **Balance of payments prospects**

On the basis of the data on external transactions discussed in this Report, and in the context of the overall performance of the economy in 2003, the current account deficit is expected to narrow somewhat in 2003. Besides the downturn in tourism, the current account balance in 2002 was adversely affected by other non-recurrent factors, such as the purchase of aircraft by Cyprus Airways valued at £42,5 million or 0,7% of GDP. The elimination of such factors in 2003 and the improvement in the terms of trade, owing to the strengthening of the Cyprus pound compared with its levels in 2002, are expected to lead to a decrease in the current account deficit as a percentage of GDP.

Balance of payments statistics for the first quarter of 2003 are shown in table 13 in the annex. These statistics have been produced by the Statistics Department of the Central Bank of Cyprus, on the basis of the methodology recommended by the International Monetary Fund in its Fifth Edition of the Balance of Payments Manual (BPM5).

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

	1999	2000	2001	2002	2003	% change 2001/2000	% change 2002/2001	% change 2003/2002
January	57.740	63.553	64.214	54.067	59.529	1,0	-15,8	10,1
February	74.041	87.243	83.569	71.950	77.972	-4,2	-13,9	8,4
March	126.494	135.487	137.578	138.625	91.634	1,5	0,8	-33,9
April	180.076	221.785	237.228	180.481	169.891	7,0	-23,9	-5,9
May	273.317	299.355	324.901	279.070	231.527	8,5	-14,1	-17,0
June	276.879	302.011	322.835	293.192	262.100	6,9	-9,2	-10,6
July	322.041	362.299	373.385	327.404	318.143	3,1	-12,3	-2,8
August	341.088	356.686	371.536	301.724	322.648	4,2	-18,8	6,9
September	309.498	329.964	329.400	306.731		-0,2	-6,9	
October	270.732	300.597	269.744	275.840		-10,3	2,3	
November	118.105	133.500	107.454	111.327		-19,5	3,6	
December	84.274	93.722	74.887	77.822		-20,1	3,9	
Jan. - Aug.	1.651.676	1.828.419	1.915.246	1.646.513	1.533.444	4,7	-14,0	-6,9
Jan. - Dec.	2.434.285	2.686.202	2.696.731	2.418.233		0,4	-10,3	

Source: Statistical Service of Cyprus

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

	2000	2001	2002	2003	% change 2002/2001	% change 2003/2002
January		24,9	21,6	25,6	-13,5	18,8
February		29,1	28,9	31,4	-0,9	8,9
March		49,7	59,2	37,8	18,9	-36,1
April		89,9	77,0	67,1	-14,3	-12,9
May		139,1	119,5	92,5	-14,1	-22,6
June	122,9	157,4	139,3	114,8	-11,5	-17,6
July	162,7	192,0	160,7	152,4	-16,3	-5,2
August	173,7	205,0	153,8		-25,0	
September	161,9	176,3	157,4		-10,7	
October	135,1	130,2	128,0		-1,7	
November	54,1	48,8	51,4		5,4	
December	36,2	29,2	35,6		21,8	
Jan. - July		682,1	606,2	521,7	-11,1	-13,9
Jan. - Dec.		1.271,6	1.132,4		-11,0	

Source: Statistical Service of Cyprus

<sup>1</sup> Receipts from same - day visitors are not included



### **3. ANNEX**

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

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

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

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

Date of settlement		Bids (amount)	Allotment (amount)	Variable rate tenders				Fixed rate tenders	Running for (...) days
				Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate	Fixed rate	
2003	13 Feb.	144,2	130,0	3,75	3,57	3,50	3,64		14
	27 Feb.	236,0	220,0	3,75	3,70	3,63	3,75		14
	13 Mar.	135,0	135,0	3,75	3,70	3,67	3,75		14
	27 Mar.	295,0	100,0					3,75	42
	27 Mar.	127,0	127,0	3,75	3,71	3,68	3,72		14
	10 Apr.	157,0	125,0	3,50	3,40	3,39	3,44		14
	24 Apr.	95,0	60,0	3,50	3,42	3,32	3,50		14
	08 May	205,0	150,0	3,50	3,39	3,37	3,50		14
	22 May	157,0	150,0	3,50	3,39	3,35	3,47		14
	05 June	161,0	130,0	3,50	3,41	3,38	3,50		14
	19 June	173,0	140,0	3,50	3,38	3,34	3,43		14
	03 July	146,0	110,0	3,50	3,36	3,33	3,39		14
	17 July	141,0	120,0	3,50	3,32	3,28	3,38		14
	31 July	210,0	150,0	3,50	3,29	3,27	3,31		14
	14 Aug.	173,0	140,0	3,50	3,25	3,24	3,27		14
	28 Aug.	182,0	160,0	3,50	3,34	3,20	3,50		14
	11 Sep.	232,0	200,0	3,50	3,43	3,35	3,50		14
	25 Sep.	139,0	139,0	3,50	3,48	3,44	3,50		14
	09 Oct.	167,0	130,0	3,50	3,47	3,40	3,50		14

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

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

		Cyprus					Euro area				
		Overnight deposits	2-7 days deposits	1-month deposits	1-6 months deposits	6-12 months deposits	Overnight deposits	1-month deposits	3-month deposits	6-month deposits	12-month deposits
2002	Jan.	3,39	3,82	4,09	-	-	3,29	3,35	3,34	3,34	3,48
	Feb.	3,22	3,66	3,83	-	4,50	3,28	3,34	3,36	3,40	3,59
	Mar.	3,20	-	4,10	5,05	4,57	3,26	3,35	3,39	3,50	3,82
	Apr.	3,29	-	4,10	5,10	-	3,32	3,34	3,41	3,54	3,86
	May	3,28	3,74	4,25	4,60	5,02	3,31	3,37	3,46	3,62	3,95
	June	3,42	3,77	3,96	4,88	5,55	3,35	3,38	3,46	3,59	3,87
	July	3,45	3,00	4,00	-	4,95	3,30	3,36	3,41	3,48	3,64
	Aug.	3,33	3,67	4,02	-	-	3,29	3,33	3,35	3,38	3,44
	Sep.	3,72	3,70	4,29	5,02	-	3,32	3,32	3,31	3,27	3,24
	Oct.	3,40	3,50	3,73	4,19	-	3,30	3,31	3,26	3,17	3,13
	Nov.	3,79	3,28	4,15	4,15	-	3,30	3,23	3,12	3,04	3,02
	Dec.	3,52	3,13	3,33	-	-	3,09	2,98	2,94	2,89	2,87
2003	Jan.	3,25	2,75	3,37	-	4,00	2,79	2,86	2,83	2,76	2,71
	Feb.	3,31	-	3,63	3,90	-	2,76	2,77	2,69	2,58	2,50
	Mar.	3,79	-	3,55	3,88	4,05	2,75	2,60	2,53	2,45	2,41
	Apr.	3,36	3,45	3,68	-	-	2,56	2,58	2,54	2,47	2,45
	May	3,56	-	3,56	3,70	3,96	2,56	2,52	2,41	2,32	2,26
	June	3,42	3,38	3,63	3,67	-	2,21	2,18	2,15	2,08	2,01
	July	3,19	-	3,49	3,75	-	2,08	2,13	2,13	2,09	2,07
	Aug.	3,09	-	3,41	3,57	-					
	Sep.	3,35	3,60	3,46	3,66	-					

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

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

	Lending rates <sup>1, 2</sup>					Deposit rates <sup>1, 3</sup>		
	Enterprises: overdraft within limits	Enterprises: secured loans	Personal: secured loans	Housing: loans secured by assignment of life policy	Credit cards	Current accounts	3 month notice - over CYP5000	1 year fixed deposits - over CYP5000
2001 Dec.	7,12	7,12	7,95	7,00	9,00	0,90	4,00	4,94
2002 Jan.	7,12	7,12	8,03	7,00	10,00	0,92	4,00	4,95
Feb.	7,12	7,12	8,12	7,08	10,50	0,93	4,03	4,95
Mar.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
Apr.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
May	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
June	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
July	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
Aug.	6,98	7,16	7,90	7,21	10,50	0,83	4,42	4,85
Sept.	6,98	7,16	7,90	7,21	10,50	0,84	4,37	4,88
Oct.	7,15	7,33	7,90	7,21	10,50	0,84	4,37	4,88
Nov.	7,15	7,33	7,90	7,21	10,50	0,83	4,40	4,84
Dec.	6,98	6,88	7,52	6,78	10,33	0,66	3,80	4,56
2003 Jan.	7,40	7,32	7,70	6,78	10,50	0,71	3,85	4,43
Feb	7,22	7,21	7,70	6,78	10,50	0,65	3,84	4,40
Mar	7,23	7,22	7,70	6,78	10,50	0,68	3,85	4,37
Apr	6,77	6,74	7,13	6,18	10,50	0,45	3,33	3,68
May	6,66	6,68	7,10	6,18	10,50	0,45	3,34	3,64
June	6,76	6,72	7,20	6,18	10,50	0,45	3,33	3,60
July	6,97	6,98	7,40	6,30	10,50	0,42	3,34	3,57
Aug.	6,92	6,90	7,40	6,30	10,50	0,40	3,34	3,55

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

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

		Deposit interest rates					Lending interest rates				
		Overnight	With agreed maturity			Redeemable at notice		To enterprises		To households	
			Up to 1 year	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	Up to 1 year	Over 1 year	Consumer lending	For house purchase
2001	July	0,97	3,65	3,65	4,22	2,44	3,80	6,90	6,20	10,11	6,05
	Aug.	0,96	3,59	3,59	4,14	2,40	3,68	6,89	6,19	10,16	5,96
	Sep.	0,91	3,28	3,28	3,98	2,36	3,33	6,71	6,07	10,08	5,86
	Oct.	0,84	3,06	3,06	3,84	2,29	3,01	6,46	5,82	9,99	5,65
	Nov.	0,78	2,84	2,83	3,65	2,19	2,75	6,31	5,71	9,87	5,48
	Dec.	0,74	2,79	2,78	3,77	2,17	2,79	6,26	5,69	9,81	5,52
2002	Jan.	0,73	2,77	2,77	3,83	2,17	2,80	6,18	5,63	9,79	5,53
	Feb.	0,73	2,78	2,79	3,95	2,15	2,91	6,16	5,75	9,83	5,61
	Mar.	0,73	2,84	2,84	4,07	2,15	3,00	6,09	5,85	9,78	5,74
	Apr.	0,74	2,89	2,90	4,13	2,14	3,07	6,17	5,95	9,83	5,81
	May	0,74	2,91	2,92	4,15	2,15	3,08	6,20	5,98	9,87	5,82
	June	0,74	2,93	2,94	4,09	2,13	3,08	6,18	5,92	9,83	5,77
	July	0,74	2,89	2,90	4,02	2,13	3,02	6,16	5,79	9,78	5,68
	Aug.	0,73	2,84	2,85	3,81	2,12	2,94	6,15	5,71	9,79	5,53
	Sep.	0,73	2,77	2,77	3,64	2,13	2,73	6,12	5,61	9,85	5,38
	Oct.	0,72	2,74	2,74	3,58	2,11	2,63	6,13	5,54	9,72	5,26
	Nov.	0,71	2,70	2,69	3,53	2,11	2,55	6,10	5,50	9,70	5,21
	Dec.	0,68	2,51	2,51	3,45	2,05	2,41	5,98	5,34	9,58	5,10
2003	Jan.	0,63	2,43	2,42	3,30	2,04	2,34	5,87	5,27	9,48	4,91
	Feb.	0,62	2,32	2,32	3,15	2,02	2,12	5,81	5,18	9,39	4,77
	Mar.	0,59	2,20	2,19	3,08	1,97	2,05	5,69	5,17	9,29	4,69
	Apr.	0,56	2,15	2,14	3,14	1,93	2,05	5,57	5,14	9,24	4,70
	May	0,56	2,08	2,08	2,98	1,91	1,92	5,51	5,01	9,22	4,56
	June	0,52	1,85	1,84	2,76	1,83	1,65	5,39	4,86	9,15	4,34
	July	0,46	1,78	1,77	2,65	1,77	1,48	5,31	4,78	9,09	4,22

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

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

(1) *Minimum bid rate on the main refinancing operations*(2) *Repo Rate*(3) *Federal Funds Rate*(4) *Interest rate on the marginal lending facility*

**Table 7**

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

	Yearly		Quarterly			Sept. 2002/ 2001	Aug. 2003/ 2002	Sept. 2003/ 2002	Jan.-Sept. 2002/ 2001	Jan.-Aug. 2003/ 2002	Jan.-Sept. 2003/ 2002	Weights 1998=100
	2001	2002	2003 I	2003 II	2003 III							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>4,84</b>	<b>4,90</b>	<b>3,31</b>	<b>3,41</b>	<b>2,94</b>	<b>3,64</b>	<b>2,81</b>	<b>4,44</b>	<b>4,35</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>1,34</b>	<b>4,35</b>	<b>9,34</b>	<b>10,11</b>	<b>4,41</b>	<b>5,93</b>	<b>3,49</b>	<b>5,33</b>	<b>4,07</b>	<b>8,26</b>	<b>7,92</b>	<b>36,69</b>
A.1 Agricultural	4,50	1,79	-0,17	5,95	6,87	-2,82	3,52	10,27	5,72	3,30	4,06	7,93
A.2 Industrial	0,78	5,62	12,19	10,86	3,67	8,81	3,77	3,85	4,29	9,41	8,76	27,24
A.2.1 industrial non-petroleum	0,10	4,55	9,11	7,30	4,47	6,02	4,07	4,66	3,73	7,17	6,88	22,91
A.2.2 fuel and gas	3,99	10,57	26,59	27,59	0,57	21,87	0,57	0,56	6,83	19,47	17,10	4,33
A.3 Electricity	-3,23	-2,26	13,89	16,85	5,12	3,52	5,05	7,07	-5,06	13,01	12,32	1,52
<b>B IMPORTED GOODS</b>	<b>0,47</b>	<b>-1,69</b>	<b>-3,12</b>	<b>-3,26</b>	<b>-0,38</b>	<b>-3,22</b>	<b>-0,36</b>	<b>-0,61</b>	<b>-1,08</b>	<b>-2,48</b>	<b>-2,28</b>	<b>22,20</b>
B.1 Motor Vehicles	0,55	-5,07	-11,40	-11,28	-1,75	-9,72	-1,39	-2,45	-3,38	-9,06	-8,38	9,43
B.2 Other Imported	0,41	0,85	3,23	2,70	0,53	1,62	0,33	0,61	0,66	2,34	2,14	12,77
<b>C SERVICES</b>	<b>3,35</b>	<b>3,67</b>	<b>4,72</b>	<b>4,20</b>	<b>4,01</b>	<b>4,47</b>	<b>3,98</b>	<b>4,06</b>	<b>3,65</b>	<b>4,34</b>	<b>4,31</b>	<b>41,11</b>
<b>HICP</b>		<b>2,8</b>	<b>5,2</b>	<b>4,8</b>		<b>3,4</b>	<b>2,4</b>		<b>2,7</b>	<b>4,3</b>		
<b>Euro area inflation</b>	<b>2,3</b>	<b>2,3</b>	<b>2,3</b>	<b>2,0</b>		<b>2,1</b>	<b>2,1</b>		<b>2,2</b>	<b>2,1</b>		

**Table 8**

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

	Yearly		Quarterly			Sept. 2002/ 2001	Aug. 2003/ 2002	Sept. 2003/ 2002	Jan.-Sept. 2002/ 2001	Jan.-Augt. 2003/ 2002	Jan.-Sept. 2003/ 2002	Weights 1998=100
	2001	2002	2003 I	2003 II	2003 III							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>4,84</b>	<b>4,90</b>	<b>3,31</b>	<b>3,41</b>	<b>2,94</b>	<b>3,64</b>	<b>2,81</b>	<b>4,44</b>	<b>4,35</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>0,51</b>	<b>1,64</b>	<b>3,50</b>	<b>3,82</b>	<b>1,69</b>	<b>2,23</b>	<b>1,34</b>	<b>2,06</b>	<b>1,52</b>	<b>3,12</b>	<b>3,00</b>	<b>36,69</b>
A.1 Agricultural	0,36	0,15	-0,01	0,48	0,53	-0,24	0,28	0,81	0,46	0,27	0,33	7,93
A.2 Industrial	0,21	1,53	3,25	3,02	1,03	2,40	0,96	1,10	1,17	2,60	2,43	27,24
A.2.1 industrial non-petroleum	0,02	1,02	2,01	1,67	1,00	1,35	0,92	1,07	0,84	1,62	1,56	22,91
A.2.2 fuel and gas	0,19	0,51	1,25	1,35	0,03	1,05	0,03	0,03	0,34	0,98	0,87	4,33
A.3 Electricity	-0,07	-0,05	0,26	0,32	0,13	0,07	0,10	0,14	-0,11	0,25	0,24	1,52
<b>B IMPORTED GOODS</b>	<b>0,10</b>	<b>-0,35</b>	<b>-0,64</b>	<b>-0,67</b>	<b>-0,07</b>	<b>-0,67</b>	<b>-0,07</b>	<b>-0,12</b>	<b>-0,23</b>	<b>-0,50</b>	<b>-0,46</b>	<b>22,20</b>
B.1 Motor Vehicles	0,05	-0,46	-1,02	-0,99	-0,14	-0,87	-0,11	-0,19	-0,31	-0,78	-0,71	9,43
B.2 Other Imported	0,05	0,10	0,38	0,32	0,06	0,19	0,04	0,07	0,08	0,27	0,25	12,77
<b>C SERVICES</b>	<b>1,37</b>	<b>1,52</b>	<b>1,98</b>	<b>1,75</b>	<b>1,69</b>	<b>1,85</b>	<b>1,68</b>	<b>1,70</b>	<b>1,51</b>	<b>1,82</b>	<b>1,80</b>	<b>41,11</b>



**Table 9**

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

	Yearly		Quarterly			Sept. 2002/ 2001	Aug. 2003/ 2002	Sept. 2003/ 2002	Jan.-Sept. 2002/ 2001	Jan.-Aug. 2003/ 2002	Jan.-Sept. 2003/ 2002	Weights 1998=100
	2001	2002	2003 I	2003 II	2003 III							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>4,84</b>	<b>4,90</b>	<b>3,31</b>	<b>3,41</b>	<b>2,94</b>	<b>3,64</b>	<b>2,81</b>	<b>4,44</b>	<b>4,35</b>	<b>100,00</b>
Food & non-alcoholic beverages	4,09	4,58	4,06	5,72	5,42	3,49	3,93	6,74	6,06	4,85	5,06	18,20
Alcoholic beverages & tobacco	2,79	13,32	35,18	27,05	12,37	21,27	12,05	12,94	10,11	25,67	24,10	1,78
Clothing and footwear	-6,75	-3,46	0,96	1,13	1,32	-5,68	0,93	2,41	-3,91	0,98	1,14	8,22
Housing, water, electricity and gas	1,59	4,08	5,59	6,21	3,93	5,84	3,82	3,87	3,56	5,41	5,24	21,27
Furnishings, household equipment and supplies	0,15	0,81	5,40	6,31	1,46	3,05	0,87	1,74	0,39	4,70	4,36	7,08
Health	5,41	4,70	7,35	4,51	5,49	5,23	5,57	5,26	4,84	5,83	5,77	4,92
Transport	2,29	0,39	1,48	1,39	0,32	0,83	0,49	-0,01	0,37	1,20	1,07	17,42
Communication	1,73	-8,81	-10,64	-9,56	-11,04	-7,26	-12,01	-9,11	-7,20	-10,58	-10,42	1,79
Recreation & culture	-0,50	2,20	4,88	4,41	2,14	2,73	1,84	2,47	2,02	3,96	3,79	5,88
Education	4,60	5,71	4,49	4,49	3,84	7,27	4,49	2,60	6,15	4,49	4,27	2,33
Restaurants & hotels	6,00	3,97	6,54	5,82	4,37	4,17	4,25	4,87	3,70	5,65	5,56	6,07
Miscellaneous goods and services	3,97	5,49	7,44	5,91	4,36	7,35	4,23	4,64	4,86	6,04	5,87	5,04

**Table 10**

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

	Yearly		Quarterly			Sept. 2002/ 2001	Aug. 2003/ 2002	Sept. 2003/ 2002	Jan.-Sept. 2002/ 2001	Jan.-Augt. 2003/ 2002	Jan.-Sept. 2003/ 2002	Weights 1998=100
	2001	2002	2003 I	2003 II	2003 III							
<b>GENERAL INDEX</b>	<b>1,98</b>	<b>2,81</b>	<b>4,84</b>	<b>4,90</b>	<b>3,31</b>	<b>3,41</b>	<b>2,94</b>	<b>3,64</b>	<b>2,81</b>	<b>4,44</b>	<b>4,35</b>	<b>100,00</b>
Food & non-alcoholic beverages	0,75	0,86	0,79	1,08	1,01	0,66	0,75	1,27	1,12	0,92	0,96	18,20
Alcoholic beverages & tobacco	0,06	0,27	0,71	0,58	0,30	0,43	0,29	0,31	0,21	0,56	0,53	1,78
Clothing and footwear	-0,54	-0,25	0,06	0,08	0,08	-0,42	0,06	0,16	-0,28	0,07	0,08	8,22
Housing, water, electricity and gas	0,34	0,88	1,22	1,35	0,87	1,25	0,85	0,85	0,78	1,19	1,15	21,27
Furnishings, household equipment and supplies	0,01	0,05	0,35	0,41	0,10	0,20	0,06	0,12	0,03	0,31	0,28	7,08
Health	0,27	0,25	0,39	0,24	0,29	0,27	0,30	0,28	0,25	0,31	0,31	4,92
Transport	0,40	0,07	0,26	0,24	0,05	0,14	0,08	0,00	0,06	0,21	0,18	17,42
Communication	0,03	-0,13	-0,14	-0,13	-0,15	-0,11	-0,16	-0,12	-0,11	-0,14	-0,14	1,79
Recreation & culture	-0,03	0,12	0,26	0,24	0,12	0,15	0,10	0,13	0,11	0,21	0,21	5,88
Education	0,11	0,14	0,11	0,11	0,10	0,18	0,11	0,07	0,15	0,11	0,11	2,33
Restaurants & hotels	0,38	0,26	0,43	0,38	0,29	0,27	0,29	0,32	0,24	0,37	0,37	6,07
Miscellaneous goods and services	0,20	0,28	0,39	0,31	0,23	0,38	0,23	0,25	0,25	0,32	0,31	5,04

**Table 11****Cyprus Stock Exchange: Purchase of listed shares by non-residents<sup>1</sup>***(CYP thousand)*

Geographical origin of non-resident investors	2002 Jan.	2002 Feb.	2002 Mar.	2002 Apr.	2002 May	2002 June	2002 July	2002 Aug.	2002 Sep.	2002 Oct.	2002 Nov.	2002 Dec.	2002 Jan-Dec.	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 June	2003 July	2003 Aug.	2003 Sep.
<b>EUROPE</b>	<b>632,9</b>	<b>102,3</b>	<b>149,0</b>	<b>305,0</b>	<b>164,4</b>	<b>110,9</b>	<b>347,6</b>	<b>50,6</b>	<b>34,2</b>	<b>396,2</b>	<b>122,9</b>	<b>74,7</b>	<b>2.490,6</b>	<b>40,2</b>	<b>41,1</b>	<b>141,0</b>	<b>146,2</b>	<b>202,4</b>	<b>457,5</b>	<b>347,9</b>	<b>507,5</b>	<b>2.018,5</b>
European Union <sup>2</sup>	595,9	98,5	147,3	305,0	151,7	100,3	347,6	47,8	30,8	390,7	105,9	71,4	2.392,8	37,0	32,2	140,2	135,5	200,1	456,6	345,2	506,3	2.013,0
Germany	15,7	0,0	4,8	19,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,9	42,9	15,9	13,6	27,8	32,0	49,1	12,2	5,6	19,3	5,5
Greece	368,9	59,2	116,2	268,5	134,2	90,1	301,3	24,0	18,4	88,0	58,0	55,4	1.582,5	8,8	13,1	73,1	22,2	106,0	34,9	331,6	431,0	1.991,7
United Kingdom	208,9	35,0	26,3	16,0	12,3	10,2	46,3	23,8	11,9	301,4	37,5	13,1	742,6	12,3	5,5	37,8	81,3	45,0	409,5	5,8	52,0	13,0
Acceding countries <sup>3</sup>	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,5	0,0	5,2	13,6	3,0	24,4	0,0	0,0	0,0	0,5	0,3	0,0	0,0	0,0	0,0
Other European countries	37,0	3,8	1,6	0,0	12,7	10,6	0,0	0,3	3,4	0,3	3,3	0,2	73,4	3,2	8,9	0,8	10,2	2,0	1,0	2,7	1,2	5,6
Russian Federation	22,1	3,0	0,6	0,0	11,5	8,9	0,0	0,3	2,4	0,0	1,2	0,2	50,2	0,4	2,4	0,7	10,0	2,0	0,3	1,8	0,0	0,0
<b>AFRICA</b>	<b>139,8</b>	<b>130,4</b>	<b>68,4</b>	<b>94,3</b>	<b>68,7</b>	<b>7,9</b>	<b>39,2</b>	<b>10,7</b>	<b>31,9</b>	<b>17,1</b>	<b>158,3</b>	<b>26,1</b>	<b>792,6</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>137,1</b>
North African countries	0,0	0,5	2,0	0,0	0,0	0,0	0,0	0,0	0,0	1,2	2,9	0,0	6,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	139,8	129,9	66,4	94,3	68,7	7,9	39,2	10,7	31,9	15,8	155,4	26,1	786,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	137,1
South Africa	139,1	122,7	61,8	94,3	68,7	7,9	39,2	10,7	31,9	15,8	155,4	26,1	773,6	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>AMERICA</b>	<b>82,4</b>	<b>84,1</b>	<b>11,6</b>	<b>75,4</b>	<b>30,6</b>	<b>0,0</b>	<b>3,5</b>	<b>22,2</b>	<b>2,0</b>	<b>16,1</b>	<b>5,8</b>	<b>4,3</b>	<b>338,0</b>	<b>4,7</b>	<b>0,7</b>	<b>0,0</b>	<b>4,6</b>	<b>56,4</b>	<b>3,0</b>	<b>54,5</b>	<b>83,1</b>	<b>21,3</b>
North American countries	15,3	7,4	2,3	75,4	22,7	0,0	2,7	22,2	1,0	0,0	1,5	0,0	150,3	0,0	0,0	0,0	0,0	0,4	3,0	4,3	29,9	17,4
United States of America	14,8	0,0	0,5	35,6	22,7	0,0	2,7	7,3	1,0	0,0	0,0	0,0	84,4	0,0	0,0	0,0	0,0	0,4	3,0	4,3	28,0	17,4
Central American Countries	67,1	76,7	9,3	0,0	7,9	0,0	0,8	0,0	1,1	16,1	4,3	4,3	187,6	4,7	0,7	0,0	4,6	56,0	0,0	50,2	53,1	4,0
British Virgin Islands	67,1	76,7	9,3	0,0	6,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	159,0	0,0	0,0	0,0	4,6	55,7	0,0	50,2	49,1	0,0
North American Countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>ASIA</b>	<b>9,2</b>	<b>3,7</b>	<b>9,7</b>	<b>3,2</b>	<b>9,2</b>	<b>0,0</b>	<b>42,3</b>	<b>1,7</b>	<b>4,4</b>	<b>2,9</b>	<b>18,3</b>	<b>7,4</b>	<b>112,1</b>	<b>0,2</b>	<b>1,4</b>	<b>0,8</b>	<b>2,8</b>	<b>3,4</b>	<b>0,0</b>	<b>4,6</b>	<b>2,6</b>	<b>4,2</b>
West Asia	9,2	3,7	9,7	3,2	9,2	0,0	42,3	0,6	4,0	2,9	17,3	6,4	108,5	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	4,2
Lebanon	0,0	0,0	0,5	0,3	1,6	0,0	42,3	0,6	3,7	2,9	17,3	3,8	73,0	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	3,8
Other Asian Countries	0,0	0,1	0,0	0,0	0,0	0,0	0,0	1,1	0,5	0,0	1,0	1,0	3,6	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0
<b>OCEANIA</b>	<b>0,0</b>	<b>0,0</b>	<b>1,8</b>	<b>0,0</b>	<b>0,6</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>2,4</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,4</b>	<b>0,0</b>	<b>0,0</b>	<b>1,7</b>	<b>0,9</b>	<b>0,8</b>
<b>Total</b>	<b>864,3</b>	<b>320,5</b>	<b>240,4</b>	<b>478,0</b>	<b>273,4</b>	<b>118,8</b>	<b>432,6</b>	<b>85,2</b>	<b>72,5</b>	<b>432,3</b>	<b>305,2</b>	<b>112,5</b>	<b>3.735,6</b>	<b>45,6</b>	<b>43,2</b>	<b>141,8</b>	<b>153,9</b>	<b>262,2</b>	<b>460,5</b>	<b>408,7</b>	<b>594,1</b>	<b>2.181,9</b>

<sup>(1)</sup> Purchase of shares included in the central securities depository as well as shares not included in the central securities depository.<sup>(2)</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom<sup>(3)</sup> The countries (other than Cyprus) acceding to the European Union on 1 May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)

**Table 12****Cyprus Stock Exchange: Sale of listed shares by non-residents<sup>1</sup>***(CYP thousand)*

Geographic origin of non-resident investors	2002 Jan.	2002 Feb.	2002 Mar.	2002 Apr.	2002 May	2002 June	2002 July	2002 Aug.	2002 Sep.	2002 Oct.	2002 Nov.	2002 Dec.	2002 Jan-Dec.	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 Jun.	2003 July	2003 Aug.	2003 Sep.
<b>EUROPE</b>	<b>214,4</b>	<b>99,1</b>	<b>168,5</b>	<b>70,2</b>	<b>23,9</b>	<b>374,1</b>	<b>174,1</b>	<b>24,6</b>	<b>20,4</b>	<b>18,0</b>	<b>73,7</b>	<b>24,3</b>	<b>1.285,1</b>	<b>14,9</b>	<b>12,0</b>	<b>36,9</b>	<b>35,0</b>	<b>9,9</b>	<b>70,9</b>	<b>24,3</b>	<b>112,6</b>	<b>96,9</b>
European Union <sup>1</sup>	178,8	87,2	164,5	38,4	23,3	372,6	172,2	24,6	18,3	12,9	54,1	18,9	1.165,7	14,9	11,4	36,5	34,7	9,2	66,4	24,3	106,6	63,2
Germany	0,0	0,0	0,0	0,0	0,0	1,5	0,0	0,0	0,0	0,0	2,7	0,0	4,2	0,0	0,0	0,0	0,3	0,0	0,0	0,0	7,7	0,7
Greece	24,5	72,8	139,9	36,5	15,5	169,6	166,4	24,3	15,8	8,5	37,5	18,4	729,7	14,7	9,5	23,6	11,8	3,7	55,3	11,6	91,5	44,0
United Kingdom	154,4	14,4	19,4	1,8	4,0	201,4	2,6	0,3	1,3	0,0	11,1	0,5	411,2	0,3	1,9	12,8	22,6	4,3	11,1	8,6	5,1	14,8
Acceding countries <sup>2</sup>	4,9	1,8	0,0	0,0	0,0	0,0	0,0	0,0	2,1	4,5	19,0	5,4	37,7	0,0	0,0	0,2	0,0	0,6	0,0	0,0	0,0	0,2
Other European countries	30,7	10,2	4,0	31,8	0,6	1,5	1,9	0,0	0,0	0,6	0,6	0,0	81,8	0,0	0,6	0,3	0,3	0,1	4,6	0,0	6,0	33,5
Russian Federation	23,2	10,1	2,6	31,7	0,0	1,0	1,9	0,0	0,0	0,6	0,0	0,0	71,1	0,0	0,2	0,0	0,0	0,0	2,9	0,0	0,0	0,4
<b>AFRICA</b>	<b>46,8</b>	<b>158,3</b>	<b>9,7</b>	<b>23,4</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,4</b>	<b>61,5</b>	<b>4,6</b>	<b>0,0</b>	<b>305,8</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
North African countries	0,0	0,9	0,5	0,0	0,0	0,0	0,0	0,0	1,4	0,0	4,6	0,0	7,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	46,8	157,3	9,2	23,4	0,0	0,0	0,0	0,0	0,0	61,5	0,0	0,0	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
South Africa	46,8	157,3	9,2	23,4	0,0	0,0	0,0	0,0	0,0	61,5	0,0	0,0	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>AMERICA</b>	<b>241,7</b>	<b>97,3</b>	<b>78,1</b>	<b>0,6</b>	<b>11,4</b>	<b>6,5</b>	<b>0,8</b>	<b>2,4</b>	<b>0,0</b>	<b>1,4</b>	<b>10,0</b>	<b>9,6</b>	<b>459,8</b>	<b>3,9</b>	<b>1,1</b>	<b>6,3</b>	<b>0,0</b>	<b>0,0</b>	<b>3,4</b>	<b>0,0</b>	<b>2,4</b>	<b>4,0</b>
North American countries	202,1	97,2	78,1	0,0	10,8	0,0	0,1	2,4	0,0	0,0	2,6	0,0	393,3	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2
United States of America	202,1	97,2	78,1	0,0	10,8	0,0	0,0	2,1	0,0	0,0	2,2	0,0	392,5	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2
Central American countries	39,6	0,1	0,0	0,6	0,6	6,5	0,8	0,0	0,0	1,4	7,4	9,6	66,5	3,9	1,1	6,3	0,0	0,0	0,0	0,0	2,4	3,8
British Virgin Islands	39,6	0,1	0,0	0,0	0,0	3,3	0,0	0,0	0,0	0,0	0,0	0,0	42,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
North American countries	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>ASIA</b>	<b>0,0</b>	<b>1,7</b>	<b>0,0</b>	<b>0,2</b>	<b>0,0</b>	<b>0,0</b>	<b>0,6</b>	<b>0,2</b>	<b>0,8</b>	<b>0,3</b>	<b>11,6</b>	<b>0,0</b>	<b>15,4</b>	<b>0,3</b>	<b>0,9</b>	<b>0,7</b>	<b>0,0</b>	<b>0,3</b>	<b>0,0</b>	<b>1,3</b>	<b>1,8</b>	<b>4,4</b>
West Asia	0,0	1,7	0,0	0,0	0,0	0,0	0,6	0,2	0,8	0,3	11,6	0,0	15,2	0,3	0,9	0,7	0,0	0,3	0,0	1,3	1,8	4,4
Lebanon	0,0	1,7	0,0	0,0	0,0	0,0	0,6	0,2	0,8	0,1	11,6	0,0	15,0	0,3	0,2	0,7	0,0	0,3	0,0	1,3	1,8	4,4
Other Asian countries	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>OCEANIA</b>	<b>0,4</b>	<b>2,5</b>	<b>1,0</b>	<b>0,6</b>	<b>2,5</b>	<b>0,0</b>	<b>7,6</b>	<b>0,4</b>	<b>0,0</b>	<b>1,2</b>	<b>0,0</b>	<b>0,0</b>	<b>16,3</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total</b>	<b>503,3</b>	<b>359,0</b>	<b>257,3</b>	<b>94,9</b>	<b>37,8</b>	<b>380,6</b>	<b>183,1</b>	<b>27,6</b>	<b>22,7</b>	<b>82,4</b>	<b>99,8</b>	<b>33,9</b>	<b>2.082,4</b>	<b>19,2</b>	<b>14,0</b>	<b>43,9</b>	<b>35,0</b>	<b>10,2</b>	<b>74,4</b>	<b>25,6</b>	<b>116,8</b>	<b>105,3</b>

<sup>(1)</sup> Sale of shares included in the central securities depository as well as shares not included in the central securities depository.<sup>(2)</sup> Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom<sup>(3)</sup> The countries (other than Cyprus) acceding to the European Union on 1 May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)

**Table 13**
**Balance of payments**  
 (CYP million)

CATEGORIES	2002 (Annual)			2003 1st quarter		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
<b>CURRENT ACCOUNT</b>	<b>3.681,5</b>	<b>4.012,3</b>	<b>-330,9</b>	<b>649,7</b>	<b>876,0</b>	<b>-226,3</b>
<b>GOODS, SERVICES AND INCOME</b>	<b>3.542,0</b>	<b>3.913,0</b>	<b>-371,0</b>	<b>622,8</b>	<b>861,2</b>	<b>-238,4</b>
<b>GOODS AND SERVICES</b>	<b>3.231,3</b>	<b>3.637,3</b>	<b>-406,0</b>	<b>567,9</b>	<b>814,2</b>	<b>-246,3</b>
<b>GOODS</b>	<b>514,4</b>	<b>2.253,4</b>	<b>-1.739,0</b>	<b>113,6</b>	<b>483,1</b>	<b>-369,5</b>
General merchandise	469,0	2.238,0	-1.769,1	103,1	481,8	-378,7
Repairs on goods	3,1	15,3	-12,2	0,6	1,3	-0,7
Goods procured in ports by carriers	42,3	0,0	42,3	9,9	0,0	9,9
Non-monetary gold	0,0	0,0	0,0	0,0	0,0	0,0
<b>SERVICES</b>	<b>2.716,9</b>	<b>1.383,9</b>	<b>1.333,0</b>	<b>454,3</b>	<b>331,1</b>	<b>123,2</b>
Transport	526,7	538,2	-11,5	103,5	149,2	-45,6
Sea transport	269,0	377,2	-108,3	71,2	100,1	-28,9
Passenger transport on sea	1,6	1,2	0,4	0,3	0,3	-0,1
Freight transport on sea	67,7	165,7	-98,0	11,2	37,2	-26,0
Supporting, auxiliary and other services	199,6	210,4	-10,7	59,8	62,6	-2,8
Air transport	257,7	161,0	96,8	25,4	47,6	-22,2
Passenger transport by air	128,1	42,2	85,9	10,5	18,2	-7,7
Freight transport by air	17,1	82,9	-65,8	2,3	17,9	-15,6
Supporting, auxiliary and other services	112,6	35,8	76,7	12,6	11,6	1,1
Other transportation	0,0	0,0	0,0	6,9	1,4	5,5
Passenger	0,0	0,0	0,0	0,0	0,0	0,0
Freight	0,0	0,0	0,0	0,0	0,8	-0,8
Other services	0,0	0,0	0,0	6,9	0,7	6,2
Travel	1.156,8	323,7	833,1	103,1	76,6	26,5
Business travel	57,6	12,3	45,3	10,5	2,9	7,6
Personal travel	1.099,2	311,5	787,8	92,6	73,8	18,8
Communications services	22,3	39,2	-16,8	1,5	7,1	-5,7
Construction services	47,6	4,3	43,3	15,1	3,6	11,5
Insurance services	17,1	19,2	-2,1	3,0	4,4	-1,5
Financial services	97,7	40,0	57,7	13,7	2,5	11,3
Computer and information services	140,6	131,9	8,7	18,1	3,7	14,4
Royalties and licence fees	1,5	9,3	-7,8	0,7	3,0	-2,3
Other business services	521,8	205,2	316,6	146,6	64,5	82,1
Merchanting and other trade-related services	165,0	128,8	36,2	50,1	49,7	0,4
Operational leasing	25,5	5,3	20,2	5,3	3,6	1,7
Miscellaneous business, professional and technical services	331,3	71,2	260,2	91,2	11,3	79,9
Personal, cultural and recreational services	8,9	8,1	0,7	1,5	2,4	-0,9
Government services, n.i.e.	175,9	64,7	111,1	47,5	14,1	33,4
Services not allocated	0,0	0,0	0,0	0,0	0,0	0,0
<b>INCOME</b>	<b>310,7</b>	<b>275,7</b>	<b>35,0</b>	<b>54,9</b>	<b>47,0</b>	<b>7,9</b>
Compensation of employees	8,7	29,7	-21,0	3,8	10,3	-6,4
Investment Income	302,0	246,0	56,0	51,1	36,7	14,4
Of which:	0,0	0,0	0,0	0,0	0,0	0,0
Reinvested earnings	82,8	68,7	14,1	20,0	0,2	19,8
Portfolio investment income	77,4	49,3	28,1	9,9	20,4	-10,5
<b>CURRENT TRANSFERS</b>	<b>139,5</b>	<b>99,3</b>	<b>40,1</b>	<b>26,9</b>	<b>14,8</b>	<b>12,0</b>
General government	16,1	1,1	15,0	3,2	0,2	3,0
Other sectors	123,4	98,2	25,1	23,6	14,6	9,1
<b>CAPITAL AND FINANCIAL ACCOUNT</b>			<b>300,3</b>			<b>222,0</b>
<b>Capital Account</b>	<b>13,6</b>	<b>16,7</b>	<b>-3,1</b>	<b>3,8</b>	<b>2,2</b>	<b>1,6</b>
<b>Financial Account</b>			<b>303,4</b>			<b>220,4</b>
Direct Investment			187,5			5,6
Abroad			-176,4			-38,0
In Cyprus			364,0			43,6
Portfolio Investment			-277,7			-100,1
Assets			-397,4			-82,2
Liabilities			119,7			-17,9
Financial Derivatives			-31,1			-4,4
Other Investment			661,7			113,8
Assets			1.318,3			-145,5
Liabilities			-656,6			259,3
Reserve Assets			-237,0			205,5
<b>NET ERRORS AND OMISSIONS</b>			<b>30,6</b>			<b>4,4</b>

Note: The totals may not be equal to the sum of constituent items due to rounding.