



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

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

**OCTOBER 2004**



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**M**ONETARY  
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The Monetary Policy Report (MPR), which is drafted by the Central Bank's Economic Research Department in preparation for the meetings of the Monetary Policy Committee (MPC), contains an overview of current economic developments in Cyprus. The MPR appears about eight times a year. Of these eight issues, four (March, July, September and December) are more extensive and comprehensive than the others.

The Greek version of the MPR as well as the English version of the statistical tables are available on the Bank's website on the same day as the MPC meeting. The entire English version of the MPR is posted on the Bank's website during the following month. The English edition of the more extensive version is also available in printed form.

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## 1. INTRODUCTION

Economic activity worldwide is being affected by the continuous rise in oil prices. Share prices have also been negatively affected. However, inflation remains subdued partly because of restrained wage increases and large stocks of goods. Economic prospects for the euro area remain unchanged while deflationary pressures in Japan have begun to recede. The US Federal Reserve was the only major monetary authority to raise interest rates.

As regards domestic developments there were positive signs of recovery of the economy. A significant development was the economic growth in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2004. Specifically, GDP grew by 3,6% and 4,1%, respectively, compared with 1,9% and 1,2% respectively, in the corresponding quarters of 2003. At the same time, inflation decelerated slightly in August. More specifically, inflation decelerated to 3,20% in August, from 3,30% in the previous month. For the first eight months of 2004, inflation reached 1,91%, compared with 4,43% in the same period of 2003. This deceleration reflects, to a large extent, the diminishing effect of the increase in value added tax (VAT) from 10% to 13%, effective from 1 July 2002, and 13% to 15% effective from 1 January 2003, as well as to the significant reduction in the excise taxes on most types of vehicles in November 2003. For the year 2004 as a whole, inflation is expected to be around or slightly above 2%, taking into consideration the increasing price of oil in the international markets.

In the monetary sector, the annual growth rate of credit in August remained unaltered at 5,1% compared with July. However, this was lower

than the 6,8% recorded in August 2003. The growth rate of local currency deposits by Cypriots accelerated slightly in August, reaching 5,4%, compared with 5,2% in July, while foreign currency deposits exhibited a slowdown. In parallel, excess banking liquidity conditions persisted in the money market. As a result the Central Bank continued intervening through auctions for the acceptance of deposits (depos).

Regarding tourism, tourist arrivals decreased during July and August by 3,8% and 6%, respectively. For the first eight months of the year, tourist arrivals increased by 2,4%, compared with a decrease of 6,7% during the corresponding period of 2003. However, receipts from tourism fell by 4,9% in the first eight months of 2004, compared with a decrease of 9,6% during the corresponding period of 2003.

As regards external trade, provisional data indicate that total imports increased by 20,2% in the first six months of 2004, compared with a decrease of 11,3% during the corresponding period of 2003. This increase is partly attributed to the positive signs of recovery of the Cyprus economy, and partly from the remarkable increase in the imports of cars following the significant reduction in excise taxes on most types of vehicles in November 2003. In parallel, total exports increased by 6,5% in the first six months of 2004. As a result of these developments, the trade deficit for the period January – June 2004, reached £1.082,5 million, from £872,2 million during the corresponding period of 2003.

As regards private consumption, the retail sales volume index increased by 3,6% in the first six months of 2004. Turning to the labour market, the unemployment rate, as a percentage of the economically active population, reached 3,3% in August 2004, the same as in the corresponding month of 2003.

In the secondary sectors of the economy, positive developments were recorded. Manufacturing registered an improvement in the first six months of 2004, and the performance of construction remained generally encouraging. In particular, the volume and value indices of building permits and cement sales increased in the first six months of 2004.

With regards to public finances, according to the quarterly data of the General Government Consolidated Accounts prepared by the Statistical

Service of Cyprus, the fiscal deficit reached £88 million in the first two quarters of 2004, compared with £182 million during the corresponding period of 2003. Despite this encouraging development in public finances, the second half of 2004 does not seem to be as encouraging since the impact of EU accession with the loss of income from import duties - will be reflected during this time. In parallel, some of the public expenditure categories that have decelerated during the first six months of the year, are expected to accelerate in the second half of the year.

## 2. ECONOMIC DEVELOPMENTS

### 2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

#### *International economic developments*

The annual growth rate of world GDP exhibited a slight slowdown in the second quarter of the year. The rise in oil prices affected both consumption and investment. World growth continues to rely mainly on the US and Asian economies while the euro area continues to display low but stable growth. The major central banks, with the exception of the US Federal Reserve which raised its official rates by 25 basis points, maintained their interest rates unchanged. Oil prices have continued their upward path and concerns have started to be expressed about the effect this will have on future economic growth and inflation. However, world inflation remains at low levels at least for the time being, partly the result of restrained wage rises. In August share values in international markets decreased.

More analytically, consumption expenditure in the **US** decreased due to the increase in the price of oil, while inflation decreased further to 2,7% in August, compared with 3% in July. However, on 21 September the Federal Reserve raised its official interest rate by 25 basis points, to 1,75%. Analysts expect another rise in American interest rates before the end of the year despite the fact that the November presidential elections are close. The current account deficit continues to expand and this is a cause of concern to the markets on the future prospects of the dollar. In August, unemployment remained virtually unchanged at 5,4%, compared with 5,5% in July while industrial production increased by 5,2%, compared with 4,9% in the previous month. Both the Dow Jones and the S&P 500 share indices

decreased by 0,2% in August while the Nasdaq index dropped by 2,7%. Since the beginning of the year the Dow Jones has decreased by 2,9%, S&P 500 by 0,9% and Nasdaq by 8,6%.

In the **euro area** the European Central Bank (ECB) left its official interest rates unchanged while analysts do not rule out a rise in 2005. In August inflation remained at 2,3% and unemployment at 9% for the fourth consecutive month. The German DAX share index fell by 2% while the French CAC 40 and the Italian BCI decreased by 0,8% and 1,2%, respectively. Since January the DAX index has fallen by 4,5%, while the other two have exhibited a rise of 1% and 1,8%, respectively.

In the **UK**, the Bank of England left its official interest rate unchanged during its September meeting. The Bank's growth projections for the third quarter of 2004 have been revised slightly downwards. During the period May-July unemployment reached 4,7% while in August inflation was 1,3%, still below the 2% target set by the Bank of England. In August the FTSE 100 share index rose by 1% while since the beginning of the year it has exhibited a slight fall of 0,4%.

In **Japan**, growth in the second quarter was lower than expected due to fewer exports. Both the Japanese government and the Bank of Japan expect that the economic recovery to continue although the high price of oil creates some doubt. The consumer price index dropped by 0,1% in July and the Bank of Japan continues to follow a lax monetary policy. If economic growth continues

with the same momentum and is above the potential growth rate of output, it is anticipated that this will push prices upwards. The Nikkei 225 share index fell by 1,3% in August. During the first eight months of the year it has risen by 3,8%, displaying the biggest rise among the main indices.

In September, the average price of oil reached \$42,96 per barrel, slightly up from \$42,81 in August. Towards the end of the month oil prices continued to rise again due to a decrease in US oil reserves. In addition, production in the Gulf of Mexico was negatively affected by hurricane Ivan. Oil market analysts expect that the price of oil will remain at high levels for the rest of the year.



**Table 1****GDP Projections***(annual percentage change)<sup>1</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>			European Commission Economic Forecasts <sup>5</sup>		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Britain	2,1	3,4 (3,3)	2,7	2,2	3,4 (3,3)	2,4 (2,5)	2,2 (2,3)	3,4 (3,5)	2,5	2,2 (2,0)	3,0 (2,8)	2,8 (2,9)
Japan	2,3	4,5	2,3	2,4 (2,7)	4,0 (4,1)	1,2	2,5 (2,7)	4,4 (3,4)	2,3 (1,9)	2,7 (2,6)	3,4 (1,7)	2,3 (1,5)
USA	3,2	4,3 (4,5)	3,4 (3,5)	3,0	4,3	3,3	3,0 (3,1)	4,3 (4,6)	3,5 (3,9)	3,1 (2,8)	4,2 (3,8)	3,2 (3,3)
Euro area	0,5	1,8	2,0	0,5	1,8 (1,7)	1,7	0,5 (0,4)	2,2 (1,7)	2,2 (2,3)	0,4	1,7 (1,8)	2,3
World				2,1 (2,2)	3,4	2,4 (2,3)	3,9	5,0 (4,6)	4,3 (4,4)	3,7 (3,3)	4,5 (4,1)	4,3 (4,1)

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

In the case of the IMF and the EC, the figures indicate the projections in April 2004 and October 2003, respectively.

<sup>2</sup> The Economist, 25 September 2004.<sup>3</sup> Lehman Brothers Global Weekly Economic Monitor, 24 September 2004.<sup>4</sup> International Monetary Fund, World Economic Outlook, September 2004.<sup>5</sup> European Commission, Economic Forecasts, Spring 2004.**Table 2****Major Share Indices***(closing prices)*

	2003	2004			
	31 Dec.	2 Aug.	31 Aug.	% change	
				Jan.-Aug.	Aug.
USA					
Dow Jones	10.425,0	10.139,7	10.122,5	-2,9	-0,2
S&P 500	1.109,6	1.101,7	1.099,2	-0,9	-0,2
Nasdaq	2.009,9	1.887,4	1.836,5	-8,6	-2,7
Germany					
DAX	3.965,2 *	3.862,7	3.785,2	-4,5	-2,0
France					
CAC 40	3.557,9	3.623,8	3.594,3	1,0	-0,8
Italy					
BCI	1.256,6 *	1.294,7	1.279,0	1,8	-1,2
Britain					
FTSE 100	4.476,9	4.415,7	4.459,3	-0,4	1,0
Japan					
Nikkei 225	10.676,6 *	11.222,2	11.081,8	3,8	-1,3

Source: Reuters

\* Closing date 30 December 2003

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

	GDP				Industrial production July (annual)	Retail sales July (annual)	Unemployment July (annual)	Inflation <sup>1</sup> August (annual)
	2004 (Q1)		2004 (Q2)					
	(quarterly)*	(annual)	(quarterly)*	(annual)				
Britain	2,9	3,4	3,8	3,7	0,1	6,5 <sup>4</sup>	4,7 <sup>2</sup>	1,3
Japan	6,1	5,6	1,3	4,2	5,9	0,8	4,9	-0,1 <sup>3</sup>
USA	3,9	4,8	2,8	4,7	5,2 <sup>4</sup>	5,5	5,4 <sup>4</sup>	2,7
Euro area	2,3	1,3	2,1	2,0	2,4	1,1	9,0	2,3

*Source: The Economist, 25 September 2004.*<sup>1</sup> *Based on the Consumer Price Index*<sup>2</sup> *May - July 2004*<sup>3</sup> *July 2004*<sup>4</sup> *August 2004*\* *percentage change on previous quarter at an annualised rate***International currencies**

The euro recorded marginal fluctuations against the dollar during September, reaching 123 cents, on 30 September. The recent course of the dollar was influenced by statements of negative economic developments in the United States, such as the decrease in retail sales in August, and the widening of the balance of payments deficit in the second quarter of 2004. The decision of the Federal Reserve to increase the interest rates by 0,25 units was discounted by the markets and did not affect the dollar. Instead, the markets focused on the announcement following the decision, according to which inflation and inflationary expectations started to diminish, which reversed the expectations of further restrictive monetary policy stance.

During September, sterling fluctuated around 68 – 69 pence to a euro. The course of sterling was mainly influenced by recent statements about a gradual deceleration in house prices in the United Kingdom, thus having a negative impact on the course of the sterling.

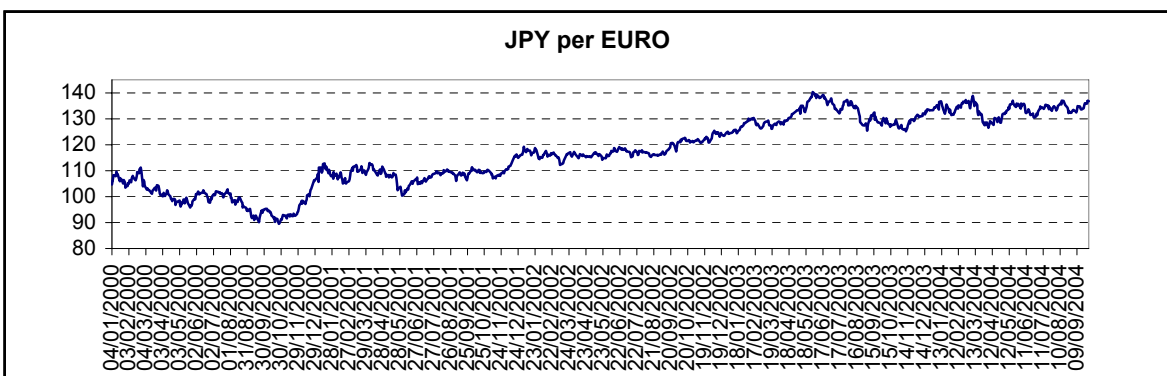
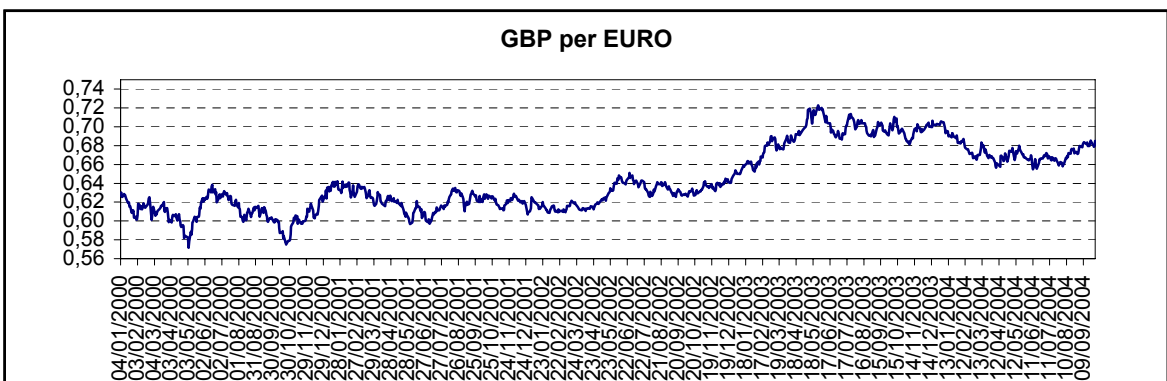
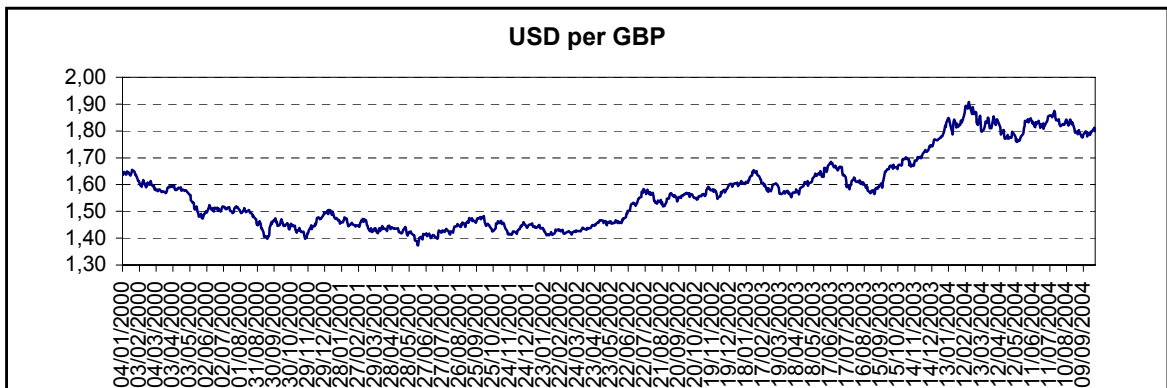
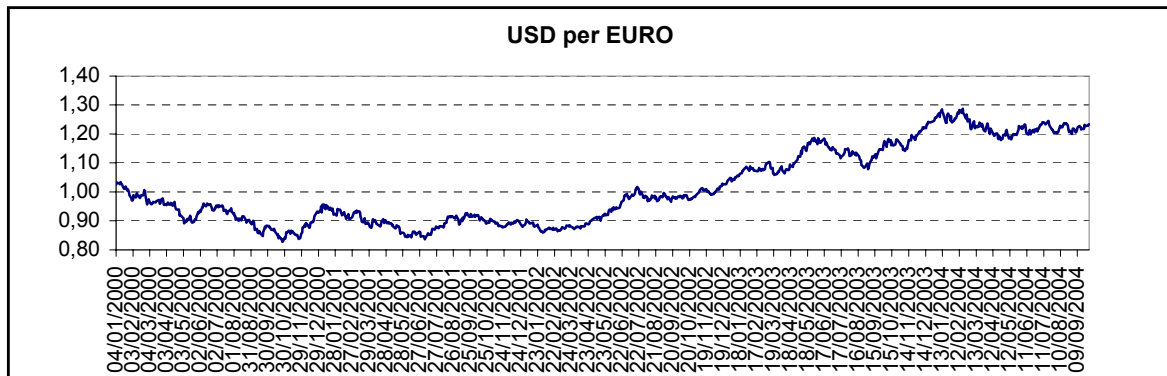
In September, the Japanese yen depreciated marginally against the euro reaching, on 30 September, 136 to a euro, compared with 133 to a euro on 2 September 2004.

## Graph 1

### Major international currencies

04/01/2000 - 30/09/2004

(opening, selling values)



### **Cyprus pound**

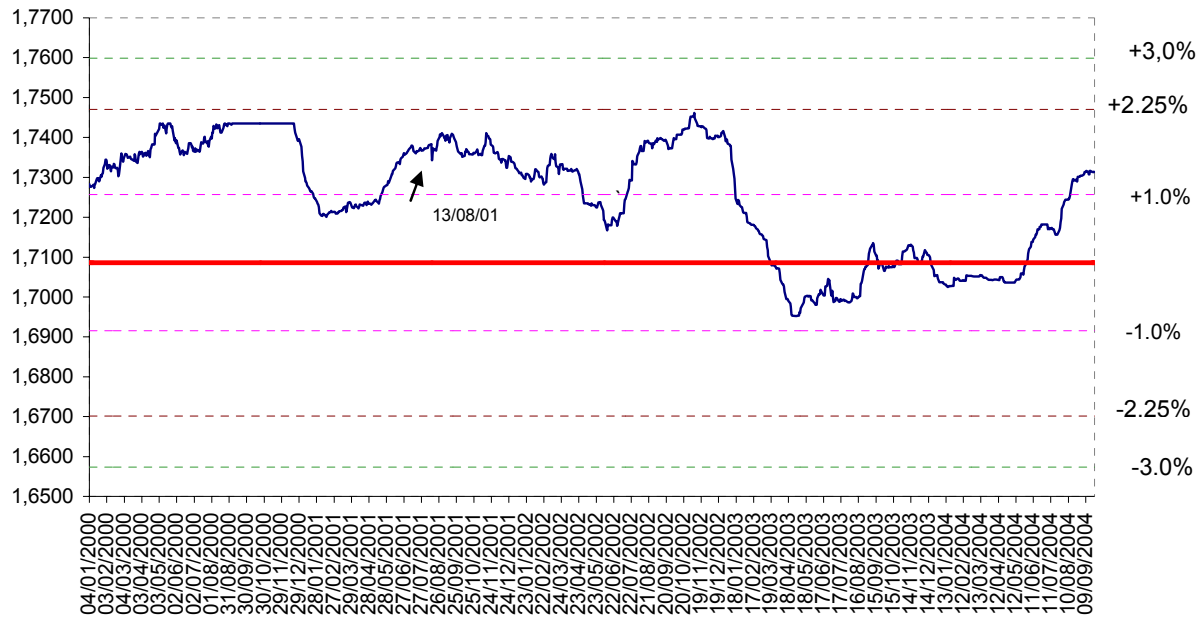
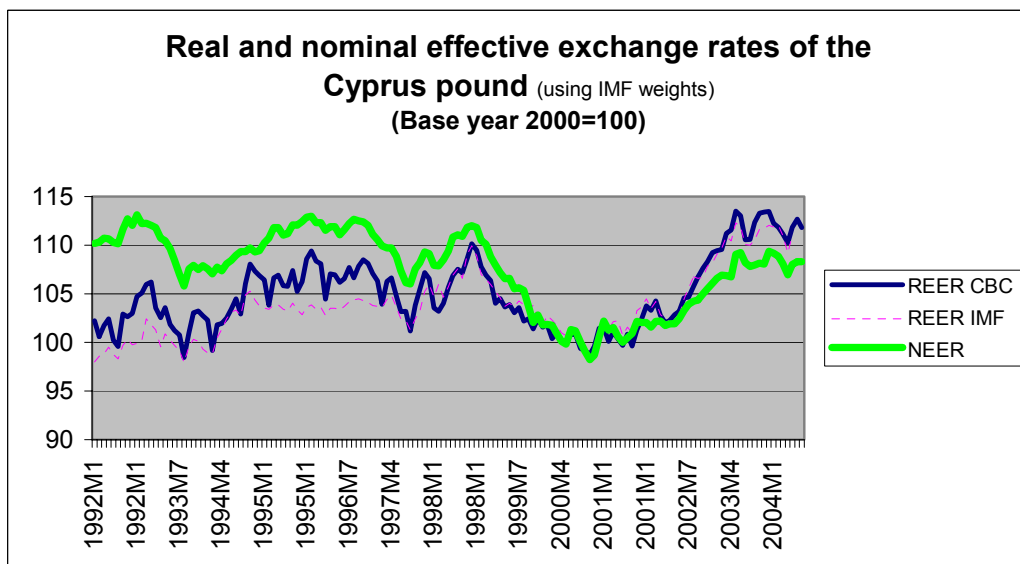
The Cyprus pound registered a marginal appreciation vis-à-vis the euro during September, reaching €1,7374 on 30 September 2004 (middle fixing rate) compared with €1,7319 on 1 September 2004. Reflecting fluctuations in international currencies during this period, the Cyprus pound registered a marginal appreciation against the dollar, reaching \$2,1430 on 30 September 2004, while on 1 September, 2004, it reached \$2,1066. During the same period the Cyprus pound strengthened slightly against sterling, reaching on 30 September 2004 ST£1,1914 sterling, while on 1 September 2004, it reached ST£1,1733 sterling.

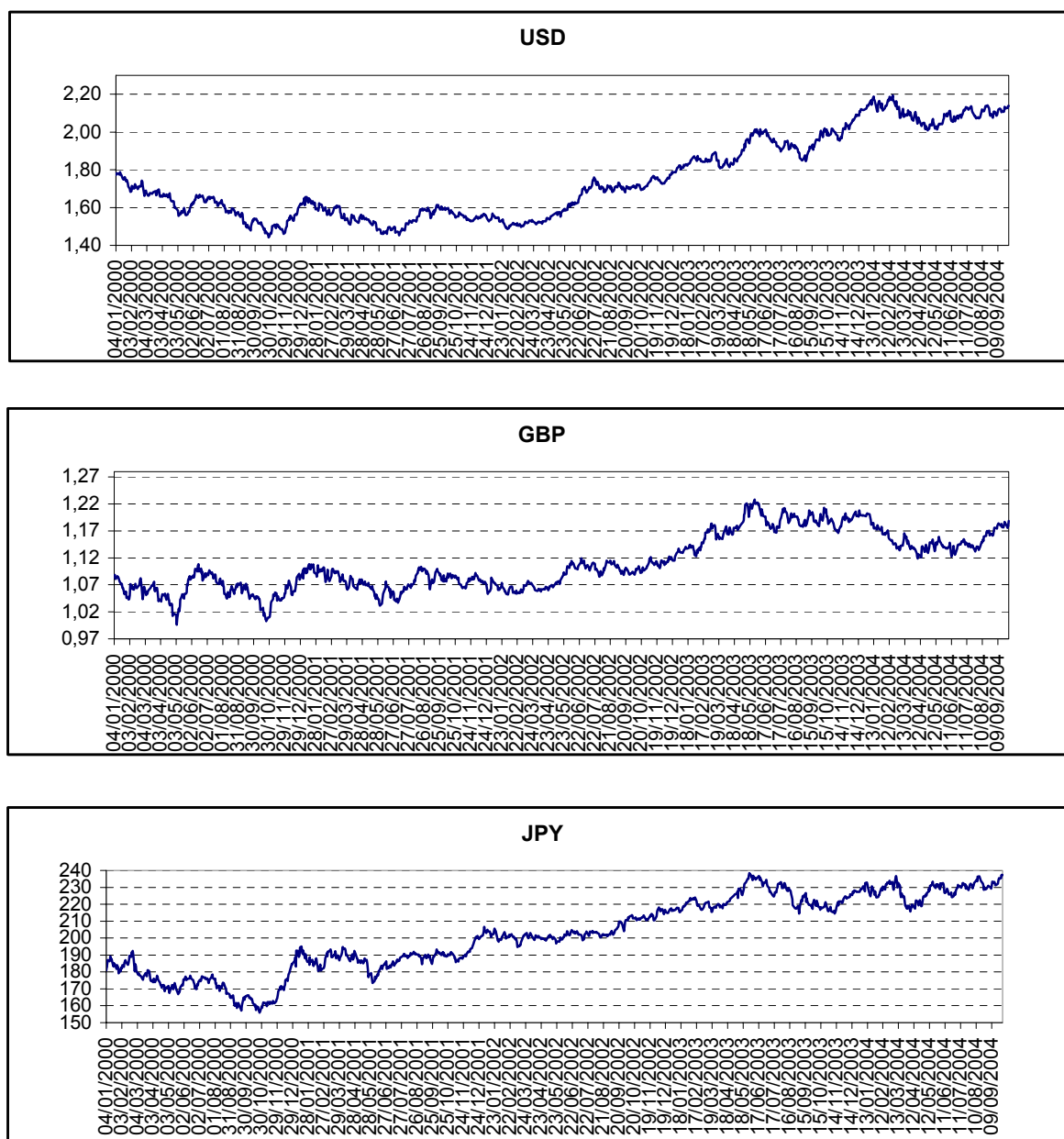
During the period January to September 2004, the Cyprus pound registered a gradual appreciation vis-à-vis the euro, reaching an average rate of €1,7332 in September, compared with an average rate of €1,7051 in January 2004.

During the same period, the Cyprus pound fluctuated against the dollar, weakening slightly up until mid-July and then strengthening slightly from mid-July till the end of September 2004. The average rate of the Cyprus pound against the dollar in September 2004 was \$2,1175 compared with \$2,1497 in January 2004.

The Cyprus pound registered small fluctuations against sterling during the period January to September 2004, weakening up to mid-August and then reversing, reaching an average rate of ST£1,1809 in September 2004.

Charts 2A and 2C depict recent fluctuations in the value of the Cyprus pound against the euro, dollar, sterling and the yen.

**Graph 2A****Exchange rate of the euro against the Cyprus pound****04/01/2000 – 30/09/2004***(mid-fixing rate)**Source: Central Bank of Cyprus**Note: The official exchange rate fluctuation margins of the Cyprus pound against the euro are set equal to  $\pm 15\%$* **Graph 2B***Source: Central Bank of Cyprus*

**Graph 2C****Cyprus pound against major international currencies****04/01/2000 - 30/09/2004***(opening, selling values)*

Source: Central Bank of Cyprus

Table 4 illustrates the results from the Central Bank's foreign currency transactions, during September, on the basis of the transaction dates. Thus, in September 2004, capital inflows of £38,49 million were recorded in comparison with outflows of £2,08 million in September 2003. The daily transactions in foreign currency between the Central Bank and the domestic banks, from 2001 until now, are illustrated in Chart 3.

From 1 January 2004 to 30 September 2004, capital inflows of £29,3 million were recorded in comparison with outflows of £119,35 million the corresponding period of 2003.

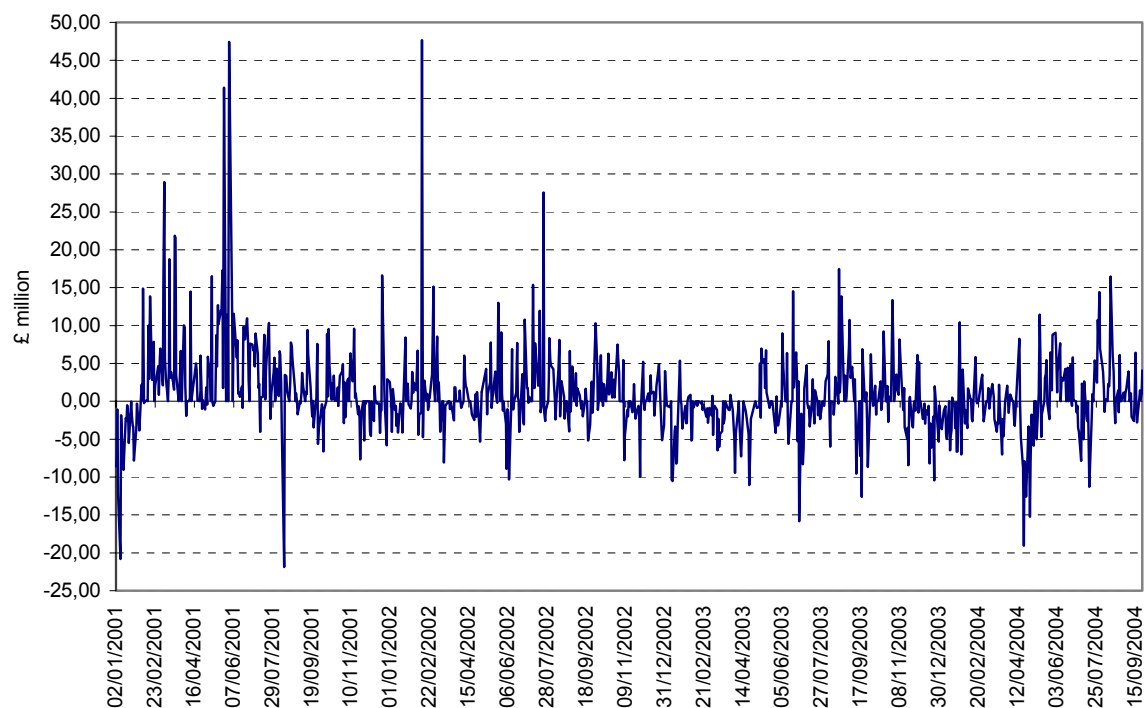
**Πίνακας 4****Domestic foreign exchange market: purchases and sales by the Central Bank of Cyprus**

Period	Average exchange rate intervention 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>Yearly</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
2003	1,71215	1,9361	1,1844	-259,75	1,30	19,50	-134,01
<u>Quarterly</u>							
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,25	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
2003 Q4	1,7123	2,0368	1,1946	-52,35	1,35	18,20	-14,66
2004 Q1	1,7060	2,1348	1,1604	-155,75	2,00	30,20	-64,23
2004 Q2	1,7099	2,0579	1,1401	-19,05	6,50	1,10	-7,50
<u>2003</u>							
January	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April	1,7050	1,8457	1,1749	-108,30	-1,40	0,00	-64,26
May	1,7038	1,9728	1,2148	23,10	-0,35	1,00	14,21
June	1,7063	1,9890	1,1991	29,00	0,00	0,00	16,96
July	1,7026	1,9366	1,1919	-33,30	0,00	0,10	-19,47
August	1,7053	1,9073	1,1940	88,30	0,05	-0,20	51,57
September	1,7132	1,9226	1,1936	-4,40	0,40	0,40	-2,08
October	1,7118	2,0038	1,1950	42,95	0,00	7,90	31,68
November	1,7144	2,0062	1,1878	-28,80	1,35	8,30	-9,07
December	1,7106	2,1005	1,2012	-66,50	0,00	2,00	-37,27
<u>2004</u>							
January	1,7051	2,1497	1,1799	-83,20	-0,20	9,70	-40,62
February	1,7064	2,1595	1,1555	-23,55	0,00	11,00	-4,25
March	1,7069	2,0982	1,1470	-11,85	2,35	4,10	-2,24
April	1,7058	2,0416	1,1355	-161,15	0,00	1,00	-93,62
May	1,7068	2,0483	1,1471	49,95	0,00	0,00	29,22
June	1,7171	2,0838	1,1402	92,15	6,50	0,10	56,90
July	1,7190	2,1083	1,1454	54,70	5,40	-23,70	13,64
August	1,7290	2,1063	1,1574	78,00	-0,30	4,50	48,99
September	1,7332	2,1175	1,1809	66,90	-0,15	0,00	38,49

Source: Central Bank of Cyprus

**Graph 3**

**Daily purchases / sales of foreign exchange by the Central Bank  
from / to the domestic banks  
2/1/2001-24/9/2004**



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

*Source: Central Bank of Cyprus*



### **Effective exchange rate indices of the Cyprus pound**

The aforementioned analysis of bilateral exchange rate developments can be completed by an analysis of various “effective exchange rate indices of the Cyprus pound”. These indices reflect the average fluctuation of a currency relative to the currencies of its trading partners. The effective exchange rates expressed in real terms represent the deflated value of the corresponding nominal effective exchange rate, where the deflator can be either the consumer price index or any other price or cost variable such as unit labour cost.

Graph 2B illustrates the monthly nominal and real effective exchange rates of the Cyprus pound from January 1992 to July 2004. An upward trend of the overall index is constructed to reflect an appreciation of the domestic currency in real or nominal terms, thus indicating weakening of the competitiveness of exported products.

The (CPI deflated) real effective exchange rate of the Cyprus pound “REER IMF” shown in graph 2B is calculated by the International Monetary Fund (IMF) and is a so called third country competition weighted index, taking into account 19 countries. The weights are estimated by using data on trade and tourism for the years 1988 – 1991 while the deflator used is the Consumer Price Index. May 2004 is the latest indication of this index with a base year 1995 – 100. Due to this lag of reporting the Central Bank of Cyprus calculates its own index using 8 instead of 19 countries and is also based on this IMF index. The Central Bank of Cyprus index (“REER CB”) shown in the same graph follows the original IMF index very closely. Both indices report a small appreciation of the Cyprus pound for the first months of 2003, while this appreciation becomes stronger during the end of 2003. In 2003 the average value of “REER CBC” index was 106,7 compared with 100,1 in 2002. During the first months of 2004 the value of “REER CBC” reported a marginal depreciation reaching 111,8 in July 2004, whereas the average for the first seven months of the year amounted to 111,7.

The outlook indicated by the nominal index is diversified. The sharper appreciation observed in real terms is primarily attributable to the higher inflation recorded in Cyprus in comparison with other European countries largely as a result of the progressive increase in the rate of VAT from 10% to 15% during 2002 and 2003 as well as increases in other consumption taxes (particularly those on petroleum products). More recent data pertaining to month of August 2004, place the index at 109,0 units, thereby underscoring the stability in this index during recent months.

## 2.2 MONETARY DEVELOPMENTS

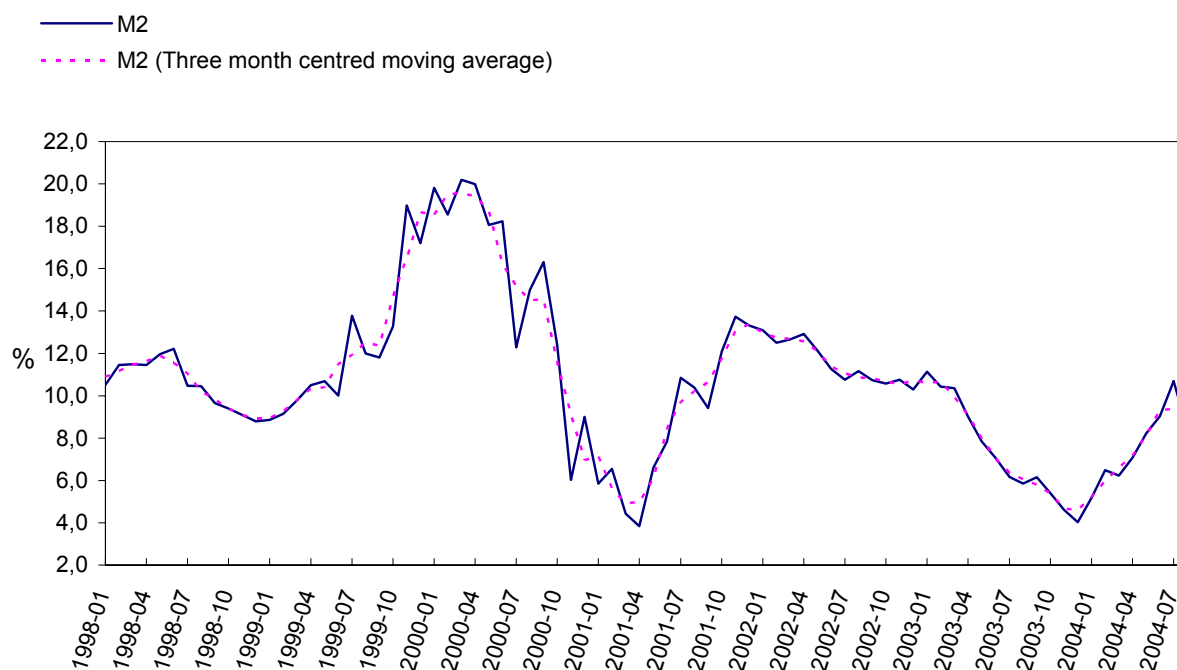
The annual growth rate of total money supply (M2) decelerated in August, compared with the previous month when it had been influenced by a temporary increase in the net foreign assets of commercial banks. Credit expansion remained

unchanged and bank liquidity remained in surplus. As a result, the Central Bank continued intervening in the market via auctions for the acceptance of deposits/depos.

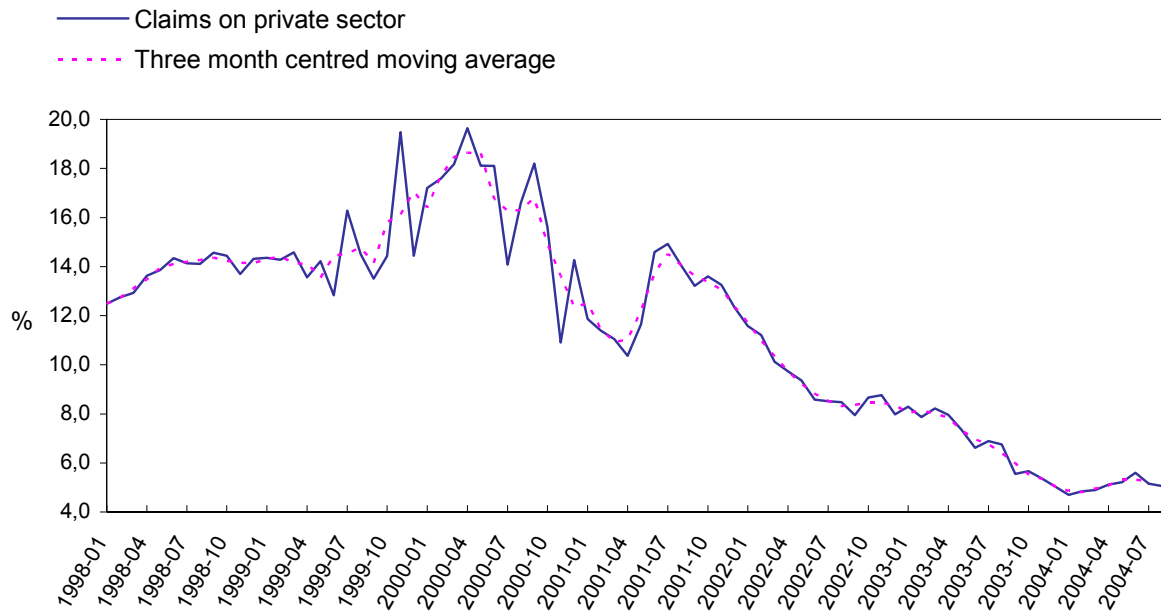
**Graph 4**

### M2 growth

(annual percentage changes, monthly data)



Source: Central Bank of Cyprus

**Graph 5****Growth of claims on private sector***(annual percentage changes, monthly data)**Source: Central Bank of Cyprus*

**Table 5****Main monetary indicators***(annual percentage change)*

	2000	2001	2002	2003	2003 Aug.	2004 July	2004 Aug.
Money supply (M1)	-3,8	1,1	2,6	32,6	30,9	18,9	12,3
Total money supply (M2)	9,0	13,3	10,3	4,0	5,8	10,7	8,4
Claims on private sector	14,3	12,3	8,0	5,0	6,8	5,1	5,1

*Source: Central Bank of Cyprus*

The annual growth rate of M2 decelerated to 8,4% in August, compared with 10,7% in July when there had been a temporary increase in the net foreign assets of banks. In August 2003 the growth rate had been 5,8%. The three-month moving average annual growth rate of M2 for the period June-August remained virtually unchanged at 9,4% compared with 9,3% for the period May-July 2004

According to provisional data, the monetary aggregate M2C<sup>1</sup>, which includes co-operative credit institutions, grew by 8,9% in August, compared with 10,6% in July.

Credit to the private sector in August remained at the levels of the previous month, increasing by 5,1%, while in August 2003 the growth rate was 6,8% (Table 5). According to the three-month moving average the annual growth rate of credit expansion was 5,3% in the period June-August, virtually unchanged compared with that exhibited during the period May-July. According

to provisional weekly data for credit to the private sector, in the period 1 January to 17 September 2004 new credit amounted to £287,4 million, which is equivalent to an annual growth rate of 5,3%.

Table 6 presents the factors affecting M2, in absolute terms. The table shows that the amount of credit to the private sector for the period January–August, exceeds the level of last year. During the same period there were repayments of loans to the public sector, compared with new credit observed in the same period of the previous year. This was due to the government eurobond (EMTN) issue in July. More specifically, and in absolute numbers, net credit to the private sector for the first eight months of 2004 increased by £254,7 million, compared with £240,5 million in the same period of the previous year. Repayments of loans to the public sector reached £10,3 million while in the same period of last year there was an increase of £229,6 million.

<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.

At the same time net foreign assets (NFA) increased compared to a decrease in the first eight months of 2003. The NFA of the banking system (Central Bank and commercial banks) rose by £322 million, compared with a decrease of £182 million in the same period of 2003. It is noted that the increase in the NFA of commercial banks observed in July was temporary and, indeed, was reversed in August.

In contrast, unclassified items displayed a fall of £174,4 million during the first eight months of the year, which is smaller than the £256,7 million fall in the same period of 2003. The difference is due to new bond issues by banks that took place in 2003.

As regards the components of M2, during the first eight months of the year the narrow aggregate M1 rose by £31,5 million while quasi-

money increased by £360,5 million. The increase in quasi-money was due to the large increase in time and savings deposits in local currency during the period under review. Specifically, these deposits rose by £174,5 million in the first eight months of the year while demand deposits decreased by £6,1 million in the same period. As for the foreign currency deposits of Cypriots, there was an increase of £186 million in time deposits during this eight month period and a rise of £31,2 million in demand deposits. Both categories of foreign currency deposits have displayed large increases compared with the respective amounts of last year.

**Table 6****Factors affecting total money supply***(change, CYP thousands)*

	Aug. 2004	Jan. - Aug.		July 2003/2004	Aug. 2003/2004
		2003	2004		
Foreign assets (net)	-206.652	-181.965	322.040	1.119.712	856.169
Claims on private sector	-37.974	240.455	254.664	420.870	412.102
Claims on public sector	88.024	229.613	-10.254	-152.095	-70.446
Unclassified items	13.748	-256.706	-174.411	-516.980	-508.727
<b>Total money supply (M2)</b>	<b>-142.854</b>	<b>31.397</b>	<b>392.039</b>	<b>871.507</b>	<b>689.098</b>
<b>Money supply (M1)</b>	<b>-16.238</b>	<b>215.267</b>	<b>31.543</b>	<b>226.068</b>	<b>154.615</b>
Currency in circulation	-24.226	26.073	6.452	76.236	54.772
Demand deposits	7.988	189.194	25.091	149.832	99.843
<b>Quasi-money</b>	<b>-126.616</b>	<b>-183.870</b>	<b>360.496</b>	<b>645.439</b>	<b>534.483</b>

*Source: Central Bank of Cyprus*

Table 7 shows the breakdown of new credit by sector. As was the case in 2003, during the period January-August, personal loans as well as construction loans absorbed the largest share of new credit. In absolute terms, personal loans increased by £177,6 million in the period January-August 2004, compared with a rise of £95,3 million in the same period of 2003. It is worth mentioning that 57% of personal loans were used for house purchases. That is, out of a total of £177,6 million provided as loans to individuals, £101,1 million was used for house purchases. In addition, in the construction sector new credit amounted to £115,4 million in the period under review, compared with £98,6

million in the same period of 2003. In the foreign and domestic trade sector, repayments amounting to £9 million, were observed, compared with new credit of £25,8 million in the same period of the previous year.

In the tourism sector there was a small increase in new credit amounting to £3,8 million, compared with an increase of £23,5 million in the first eight months of 2003. New credit to public institutions and corporations (including the government) increased by £3,2 million, compared with an increase of £20,3 million in the previous year.

**Table 7**  
**Bank credit by sector**

	January - August			
	2003		2004	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations <sup>1</sup>	20.348	8,1	3.187	1,3
Agriculture	-2.461	-1,0	602	0,2
Mining	855	0,3	-2.135	-0,8
Manufacture	-3.057	-1,2	-15.389	-6,1
Transport and communication	-6.049	-2,4	-17.628	-6,9
Foreign and domestic trade	25.764	10,2	-9.032	-3,6
Building and construction	98.626	39,2	115.374	45,4
Tourism	23.463	9,3	3.825	1,5
Personal and professional loans	95.284	37,8	177.550	69,8
Bills discounted: Local	137	0,1	-1.009	-0,4
Foreign	-1.081	-0,4	-1.142	-0,4
<b>Total</b>	<b>251.829</b>	<b>100,0</b>	<b>254.203</b>	<b>100,0</b>

Source: Central Bank of Cyprus

1) Including Government loans

In August loans in foreign currency to Cypriot residents by domestic banks increased by £6,1 million. In July there had been an increase of £13 million. The share of loans in foreign currency to total credit in August remained virtually unaltered at 10,2%, while in the same month of the previous year the share was 10,4% (Table 8)<sup>2</sup>. For the period 1 January to 17 September 2004 provisional data show that loans in foreign currency to Cypriot residents increased by about £76 million.

<sup>2</sup> The figures for foreign currency loans in this section include only foreign currency loans granted to residents by domestic banks



**Table 8****Claims on private sector<sup>1</sup>***(change CYP million)*

	2004 June	2004 July	2004 Aug.
Foreign currency loans to residents	23,5	13,0	6,1
Claims on private sector	165,7	-33,2	-38,0

*(end of period balances, CYP million)*

	2001	2002	2003	2003 Aug.	2004 July	2004 Aug.
Foreign currency loans to residents	733,0	785,2	799,0	844,7	867,7	873,8
Claims on private sector	7320,1	7904,1	8302,0	8144,6	8594,6	8556,7
Share %	10,0	9,9	9,6	10,4	10,1	10,2

*Source: Central Bank of Cyprus**1) From local banks.*

Data concerning the period up to the end of August 2004 show that loans in euros by Cypriot residents accounted for 66,2% of total foreign currency loans. The distribution for other currencies was 11,4% for loans in dollars, 6% for loans in yen and 14,6% for loans in Swiss francs. According to data on medium and long-term foreign currency loans during the period January-June 2004, about 3,3% of new loans was used in the construction sector, 58,5% for refinancing<sup>3</sup> and 30,9% for the purchase of fixed assets.

According to balance of payments data on the foreign bank loans of residents, in June 2004 repayments outweighed new loans by £10,5 million. As far as long-term loans extended by international banking units are concerned, at the end of June 2004 new loans outweighed repayments by £4,7 million.

Turning to credit cards, domestic expenditure using Cypriot owned cards rose at an annual rate of 7,6% in August while the respective increase in the previous month was 15%. In the eight months to August the rise was 13,9% compared with a rise of 13,3% in the first eight months of the previous year. Expenditure by Cypriots abroad increased at an annual rate of 11,6% in August, compared with a rise of 11,2% in July. For the period January-August the rise was 7,8%, compared with a rise of 16% in the same period

of 2003. Finally, foreign card holders spent 5,2% more on an annual basis in August, compared with 5,9% in the previous month. In the eight months to August this type of expenditure rose by 10,6%, compared with a rise of 2,2% in the previous year.

### **Money market**

There were surplus banking liquidity conditions in the money market during August which continued through to September.

Table 9 presents the factors affecting liquidity. As shown in the table, the increase in the average daily value of foreign assets from £1.340,1 million in July to £1.499,7 in August had a positive impact on surplus banking liquidity. In contrast, the average increase of government deposits acted as a constraint on excess liquidity. The net effect of the above developments was that on average banking liquidity increased in August compared with July.

The value of government deposits rose on average by £820,6 million in August, compared with £771,2 million in July<sup>4</sup>. Net government lending through the issue of government securities was £15,2 million in August, while in July there had been net repayments of £43,2 million in government securities.

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<sup>3</sup> Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans to a different currency.

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<sup>4</sup> Table 9 shows the value of net government deposits, that is deposits minus the long-term loan of £961,1 million.

Two auctions for the acceptance of deposits were held in August. Each auction absorbed £180 million. Two auctions were also held in September during which £200 million and £80 million was absorbed, respectively.<sup>5</sup>

As can be seen in Table 10, the average overnight interbank interest rate remained virtually unchanged in August at 4,16%. As far as government securities are concerned, auctions were held in all government paper in August with the exception of 10 and 15 year government bonds. The return on the securities that were auctioned exhibited a fall due to the increase in excess liquidity. Specifically, in August the average interest rate on two year government bonds was 5,60%, compared with 5,70% in the previous month. The average interest rate on five year bonds was 6,48%, compared with 6,54% in July. In the case of 13-week treasury

bills, the average interest rate in August was 4,70%, compared with 4,74% in June and in the case of 52-week treasury bills the interest rates were 5,19% in August and 5,27% in June.

In September, auctions were held for all government securities with the exception of 15-year government securities. It is noted that no tender was accepted for the 10 year government bond auctions. The ratio of value of securities auctioned to total value announced was 90,3% in August while in September it fell to 76,8%. In parallel, the ratio of value of securities auctioned to total value tendered was 49,1% in September, compared with 40,6% in August.

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<sup>5</sup> The box on p. 23 presents the liquidity conditions for the period 22 June to 22 September 2004. Any differences in the amounts are due to the different periods analysed.

## Liquidity conditions and monetary policy operations for the period 22 June - 22 September 2004

This box reviews the Central Bank of Cyprus (CBC) liquidity management from 22 June to 22 September 2004. Figure 1 summarises the liquidity absorption and provision through monetary policy operations while figure 2 presents the developments of the main short-term interest rates.

### Liquidity conditions in the banking system

During the period under review, the net liquidity impact of the autonomous factors, i.e. the factors not related to monetary policy operations, resulted in an increase in the liquidity position of the banking system. Net foreign assets, and in particular net inflows from the purchase / sale of foreign exchange by the CBC from / to the domestic banks (fixing) added liquidity amounting to £78,7 million. In addition, net repayments of government securities injected liquidity in the banking system amounting to £18,2 million, whereas net other transactions between the government and the counterparties added liquidity of £32,1 million. In contrast, an increase in the currency in circulation resulted in a decrease in liquidity of £6,9 million.

### Monetary policy operations and interest rates

During the period under review, the CBC settled six Liquidity Absorbing Operations (LAOs) through auctions for the acceptance of deposits. The first operation was settled on 8 July 2004.

#### Open market operations

(CYP millions; interest rates in percentages per annum)

Operation	Date of settlement	Date of maturity	Bids (amount)	Allotment (amount)	Bid-cover ratio	Weighted average allotment rate	Running for (...) days
LAO	08/07/2004	15/07/2004	125,5	70,0	1,79	4,45	7
LAO	15/07/2004	29/07/2004	79,0	79,0	1,00	4,34	14
LAO	29/07/2004	12/08/2004	122,0	100,0	1,22	4,39	14
LAO	12/08/2004	26/08/2004	182,5	180,0	1,01	4,37	14
LAO	26/08/2004	09/09/2004	209,0	180,0	1,16	4,29	14
LAO	09/09/2004	23/09/2004	256,0	200,0	1,28	4,28	14

Source: Central Bank of Cyprus

The LAOs were carried out through variable rate tenders with a maximum bid rate of 4,50%. The absorbed liquidity ranged between £70 million and £200 million, whereas the weighted average allotment rate remained within a range of 4,28% and 4,45%. The ratio of the amount bid to the volume allotted varied between 1,00 and 1,79 with an average of 1,60, while the number of participating counterparties was between 3 and 8.

#### Standing facilities

(period averages of daily recourse in CYP millions)

Period	Deposit facility	Marginal lending facility
22/06 - 07/07/2004	30,3	0,0
08/07 - 14/07/2004	33,2	0,0
15/07 - 28/07/2004	46,2	0,1
29/07 - 11/08/2004	53,8	0,0
12/08 - 25/08/2004	38,8	0,0
26/08 - 08/09/2004	33,6	0,0
09/09 - 22/09/2004	40,1	4,2

Source: Central Bank of Cyprus

Figure 1. Monetary policy operations

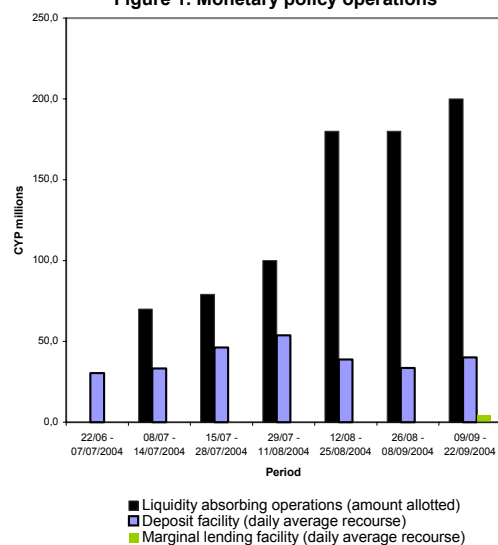
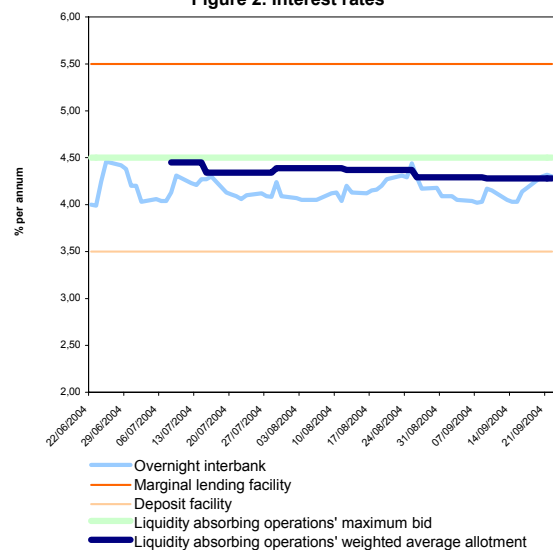


Figure 2. Interest rates



### Overnight interbank interest rate

(percentages per annum)

Period	Minimum rate	Maximum rate	Average rate
22/06 - 07/07/2004	3,99	4,46	4,17
08/07 - 14/07/2004	4,13	4,31	4,23
15/07 - 28/07/2004	4,06	4,30	4,14
29/07 - 11/08/2004	4,04	4,24	4,09
12/08 - 25/08/2004	4,12	4,44	4,23
26/08 - 08/09/2004	4,02	4,29	4,11
09/09 - 22/09/2004	4,03	4,32	4,17

Source: Central Bank of Cyprus

During the period under review the overnight interbank interest rate ranged between 3,99% and 4,46%. The average rate stood at around 4,16%, reflecting the aforementioned excess liquidity conditions.

**Table 9****Banking system's liquidity position***(£ 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) <sup>1)</sup>	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	
2002	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.	1.144,1	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
	Oct.	1.079,8	0,0	0,0	0,3	0,0	23,0	79,4	123,6	467,2	-330,3	184,9	532,3	1.101,9
	Nov.	1.122,7	0,0	0,0	0,6	0,0	31,2	79,3	107,7	461,5	-286,9	199,2	531,4	1.103,4
	Dec.	1.173,1	0,0	0,0	4,8	0,0	17,8	79,5	47,4	496,3	-217,9	222,7	532,1	1.125,7
2004	Jan.	1.214,1	0,0	0,0	0,0	0,0	55,4	79,3	151,9	491,2	-290,5	192,6	534,2	1.160,1
	Feb.	1.185,3	0,0	0,0	0,0	0,0	22,2	79,4	169,0	477,0	-304,4	194,1	547,9	1.126,5
	Mar.	1.151,2	0,0	0,0	2,2	0,0	17,4	79,6	140,3	478,6	-313,8	199,7	551,5	1.127,2
	Apr.	1.121,0	0,0	0,0	0,7	0,0	29,7	79,3	93,3	503,7	-366,2	226,5	555,2	1.168,0
	May	1.038,5	0,0	0,0	6,0	0,2	8,0	79,3	0,0	509,8	-415,8	222,8	640,6	1.237,7
	June	1.108,4	0,0	0,0	0,0	0,0	32,9	79,4	0,0	519,6	-374,5	214,3	636,8	1.268,6
	July	1.340,1	0,0	0,0	0,0	0,0	42,1	79,5	61,2	533,4	-189,9	174,6	639,4	1.294,3
	Aug.	1.499,7	0,0	0,0	0,0	0,0	44,5	79,4	151,6	536,1	-140,5	185,8	642,9	1.302,8

1) The negative sign of net central government deposits is due to the inclusion of the government loan amounting to £961,1 mill. Following the prohibition of public sector financing by the Central Bank, as of July 2002, outstanding claims of the Central Bank on the government were converted to a loan with maturity 30 years, the repayment of which will commence in 2007.

**Table 10****Interest rates***(% per annum, period averages)*

	2001	2002	2003	2003 Aug.	2004 June	2004 July	2004 Aug.
Interbank (1 day)	4,93	3,42	3,35	3,09	4,22	4,15	4,16
Repos	6,39						
Reverse repos/depos	4,59	3,91	3,45	3,28		4,38	4,36
Treasury bills (13 weeks)	6,00	4,02	3,51		4,74		4,70
Treasury bills (52 weeks)	6,35	4,30	3,70	3,64	5,27		5,19
Development stocks (2 years)	6,11	4,56	3,83	3,69	5,81	5,70	5,60
Development stocks (5 years)	6,96	5,07	4,49	4,48	6,36	6,54	6,48
Development stocks (10 years)	7,66	5,37	4,70		6,58		
Development stocks (15 years)	6,47	5,60	4,81		7,05		

*Source: Central Bank of Cyprus*

Table 11 presents a comparison between domestic long-term interest rates and EU-25 interest rates. The latest available data show that in August the domestic long-term interest rate were higher than the respective European rates by 54 basis points. This was due to the higher nominal interest rate and the decrease in inflation in Cyprus.

**Table 11****Inflation and interest rates in Europe and Cyprus – August 2004***(latest 12-month average)*

	Inflation ( HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,70	4,30	2,60
Czech Republic	1,80	4,74	2,94
Denmark	1,00	4,42	3,42
Germany	1,50	4,18	2,68
Estonia <sup>(1)</sup>	1,80	4,66	2,86
Greece	3,00	4,39	1,39
Spain	2,80	4,24	1,44
France	2,40	4,24	1,84
Ireland	2,60	4,23	1,63
Italy	2,50	4,38	1,88
Latvia	4,90	4,97	0,07
Lithuania	-0,20	4,70	4,90
Luxembourg	2,70	3,05	0,35
Hungary	6,50	8,07	1,57
Malta	2,60	4,69	2,09
Netherlands	1,60	4,24	2,64
Austria	1,60	4,30	2,70
Poland	2,50	6,88	4,38
Portugal	2,60	4,30	1,70
Slovenia	4,10	5,20	1,10
Slovakia	8,40	5,13	-3,27
Finland	0,40	4,23	3,83
Sweden	1,30	4,66	3,36
United Kingdom	1,30	4,98	3,68
Euro zone	2,10	4,27	2,17
EU -25	2,00	4,56	2,56
Cyprus	2,10	5,20	3,10

*Source: Eurostat**(1) Data for July 2004*



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

During their recent meetings the ECB and the Bank of England maintained their official interest rates unchanged. In contrast, the Federal Reserve raised its official interest rate by 25 basis points. At its meeting on 3 September, the Central Bank of Cyprus maintained a cautionary stance.

Consequently, the official interest rate differential between Cyprus and the euro area remained at 250 basis points both for the marginal lending facility and the overnight deposit facility.

**Table 12**

#### **Official Interest rates**

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

		change
European Central Bank (2 September 2004)		
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 September 2004)		
Repo Rate	4,75	-
Federal Reserve (21 September 2004)		
Federal Funds Rate	1,75	+0,25
Discount Rate	2,75	+0,25
Central Bank of Cyprus (3 September 2004)		
Minimum bid rate on the main refinancing operations	4,50	-
Maximum bid rate on the liquidity absorbing operations	4,50	-
Interest rate on the marginal lending facility	5,50	-
Interest rate on the deposit facility	3,50	-

Sources: ECB, Bank of England, Federal Reserve, Central Bank of Cyprus

### Cyprus Stock Exchange (CSE)

During August the CSE general price index exhibited a slight upward trend (Chart 6). Specifically, the index fluctuated between 73,4 and 75,6. The average daily volume fell slightly to £295,1 million from £296,2 million in July. The average daily number of transactions also decreased to 351 in August from 408 in the previous month. The majority of the sectoral indices rose during the period under review. The

shares with the largest proportion of the traded volume were those of Bank of Cyprus and Laiki Bank, accounting for, respectively 24,7% and 10,7% of the total.

#### Graph 6

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

July - August 2004

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

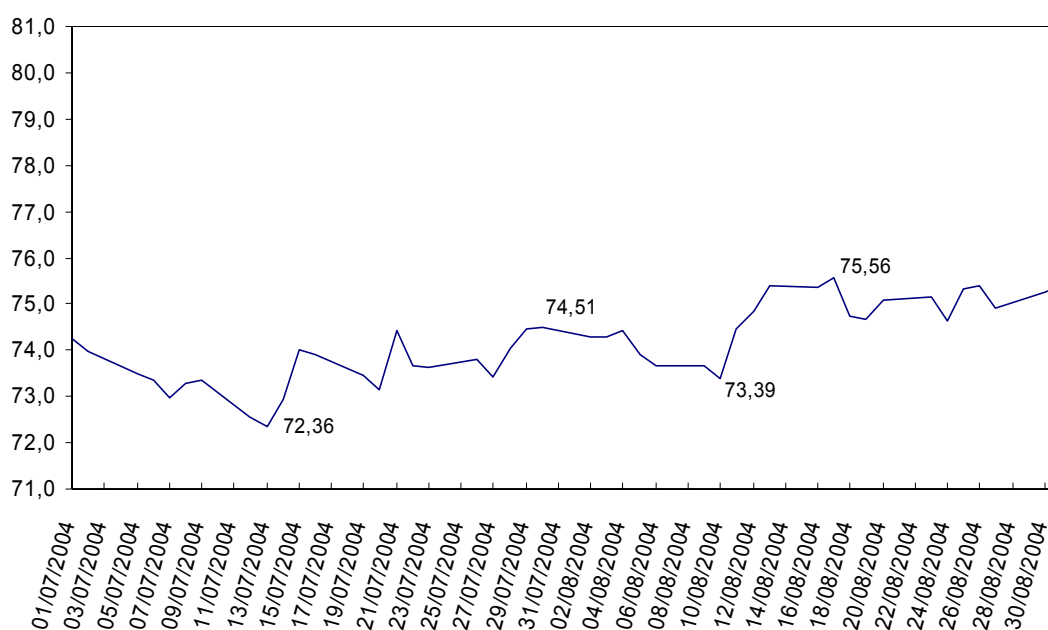


Table 13 shows that there was a decrease in net inflows to the CSE in August, compared with July. More specifically, purchases of listed shares by non-residents reached £0,6 million,

while sales reached £0,5 million, compared with £1,1 million and £0,6 million, respectively, in the previous month.

**Table 13**

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

(CYP thousand)

	2002 <sup>1</sup>	2003	2004					
	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.
Purchases	50	495	361	809	613	469	1.076	647
Sales	0	358	240	1.017	99	139	636	524
Net investments	50	137	121	-208	514	330	440	123

Source: Cyprus Stock Exchange

<sup>1</sup> The data for 2002 refer only to purchases and sales of shares not included in the dematerialisation process.

## 2.3 INFLATION

Inflation decelerated slightly to 3,20% in August 2004, compared with an increase of 3,30% in the previous month and 2,94% in August 2003. As table 14 indicates, the marginal deceleration in inflation, compared with the previous month, stemmed mainly from the deceleration in the prices of domestic agricultural products as well as the small decline in the prices of imported goods, excluding motor vehicles. In contrast, the prices of industrial non-oil products, fuel and gas and electricity increased.

Taking a more detailed look at domestic goods, in August 2004, a significant acceleration was registered by fuel and gas prices which rose by 25,92%, compared with an increase of 23,37% in July 2004. This increase was due to the rise in the international price of crude oil. At the same time, the price of electricity also rose by 0,28%, compared with a decrease of 1,76% in the previous month due, again, to the rise in the international price of crude oil. The prices of electricity were not, as yet, affected up to July, due to the oil reserves maintained from previous months by the Electricity Authority of Cyprus and also the strengthening of the Cypriot currency against the dollar this year. Prices of industrial non-oil products accelerated, reflecting the indirect effect of the rise in the international price of crude oil.

Prices of imported goods declined further by 5,75% in August 2004, after a 5,50% reduction in July. In particular, the prices of motor vehicles fell by 14,23%, as in July. This fall reflects the reduction in excise taxes on various types of vehicles at the end of November 2003.

Finally, the prices of services increased by 3,25% in August 2004, compared with an increase of 3,12% in July 2004 and 3,98% in August 2003. This small acceleration in the prices of services compared with the previous month, is mainly attributed to the acceleration in prices in the health, recreation and culture sectors.

As a result of the aforementioned developments, inflation reached 1,91% in the first eight months of 2004, compared with 4,43% in the corresponding period of 2003. This deceleration was mainly due to dampening of the impact of VAT increases that took place in July 2002 (from 10% to 13%) and January 2003 (from 13% to 15%). The further reduction in car prices due to the reduction in excise taxes also reduced inflation by 1,13% during the first eight months of 2004. In contrast, the rise in the international price of crude oil pushed inflation up by approximately 0,8.

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

Due to the dampening of the impact of tax measures implemented in 2003, and taking into consideration the significant reductions in the prices of motor vehicles, and also the steadily increasing rate observed in crude oil prices, inflation in 2004 is anticipated to reach slightly above 2%.

This projection is based on the framework of price analysis by economic origin, as presented above, and on the assumption that oil prices will remain at the same high level, as in September, for the rest of the year.

**Table 14****Consumer price index by economic origin**

(annual percentage change)

		2002	2003	August 2003/2002	July 2004/2003	August 2004/2003
	<b>All items</b>	<b>2,81</b>	<b>4,14</b>	<b>2,94</b>	<b>3,30</b>	<b>3,20</b>
<b>A</b>	<b>Domestic goods</b>	<b>4,35</b>	<b>7,30</b>	<b>3,49</b>	<b>7,83</b>	<b>7,51</b>
A.1	Agricultural	1,79	4,54	3,52	11,13	6,06
A.2	Industrial	5,62	7,90	3,37	7,66	8,43
A.2.1	<i>Industrial, non-oil</i>	4,55	6,46	4,07	3,83	4,17
A.2.2	<i>Fuel and gas</i>	10,57	14,16	0,57	23,37	25,92
A.3	Electricity	-2,26	10,20	5,05	-1,76	0,28
<b>B</b>	<b>Imported goods</b>	<b>-1,69</b>	<b>-2,38</b>	<b>-0,36</b>	<b>-5,50</b>	<b>-5,75</b>
B.1	Motor vehicles	-5,07	-8,31	-1,39	-14,23	-14,23
B.2	Other imported goods	0,85	1,81	0,33	0,25	0,18
<b>C</b>	<b>Services</b>	<b>3,67</b>	<b>4,38</b>	<b>3,98</b>	<b>3,12</b>	<b>3,25</b>

Source: National Statistical Service

It is also assumed that the Cyprus pound will remain strong throughout 2004, which will have a favourable effect on inflation, particularly in relation to the prices of the imported products and also the price of oil in terms of Cyprus pounds.

For comparison purposes, table 15 shows the latest available monthly data on inflation in Cyprus, the euro area and other industrial countries, as well as forecasts for 2004.

**Table 15****Inflation : Cyprus and other countries**

(annual percentage change in consumer prices)

	Inflation rate	month	forecast for 2004 <sup>1</sup>
Cyprus	3,2	August	2,3 <sup>2</sup>
Euro area	2,3	August	2,1
U.S.A.	2,7	August	2,7
G.Britain	1,3	August	1,5
Germany	2,0	August	1,7
Italy	2,3	August	2,3
Denmark	1,2	August	1,2
France	2,4	August	1,2
Austria	2,4	August	1,6
Belgium	2,3	August	1,9
Spain	3,3	August	2,9
Sweden	0,6	August	0,8
Switzerland	1,0	August	0,7
Japan	-0,1	July	-0,1
Canada	1,9	August	2,0

(1) Source: The Economist (25/ 09 / 04)

(2) Source: Central Bank of Cyprus

## 2.4 DOMESTIC ECONOMY

The Cyprus economy in 2004 exhibited signs of recovery despite the weak course of tourism and the increase in the price of oil. In the first and second quarter of 2004, real GDP growth reached 3,6% and 4,1% respectively, compared with 1,9% and 1,2% respectively in the corresponding quarters of 2003. Tourist arrivals exhibited a rebound during the first eight months of 2004, compared with the corresponding period of 2003, even though in July and August, tourist arrivals decreased compared with last year. With regard to tourism receipts up to August, a downturn was recorded. In the labour market, unemployment, as a percentage of the economically active population reached 3,7% in the first eight months of 2004, compared to 3,5% in the corresponding period of 2003.

### Production

As regards the services sector, and in particular tourism, tourist arrivals registered an increase of 2,4% in the first eight months of 2004, compared with a decrease of 6,7% in the same period of 2003. At the same time, receipts from tourism fell by 4,9% in the first eight months of 2004, compared with a reduction of 9,6% in the same period of 2003. It should be noted that in the first eight months of 2004, despite the increase in tourist arrivals and the increase in the consumer price index in the category of restaurants and hotels as well and the increase, by 10,6% compared to the first eight months of last year, in the usage of foreign bank credit cards, tourist receipts registered a decrease. This negative development possibly reflects the change in the purchasing attitude of tourists who are either buying tourist packages of the last minute at lower prices or are staying at privately owned homes.

In the secondary sector, the overall picture is positive. On the other hand, construction continued its positive path, with some signs of deceleration however, as regards building permits. Manufacturing showed an upturn in the first six months of the year.

More specifically, the volume index of building permits issued, which indicates prospects for the construction sector in the following few months, increased by 25,5% in June 2004, compared with an increase of 20% in the same month of 2003. For the first half of 2004, the volume index of building permits registered an increase of 15,1% compared with an increase of 26,9% during the same period of 2003.

Local sales of cement increased by 8,5% in August 2004, compared with an increase of 17,1% in August 2003. For the first eight months of 2004 the sales of cement increased by 19,5%, compared with an increase of 8,4% in the same period of the previous year.

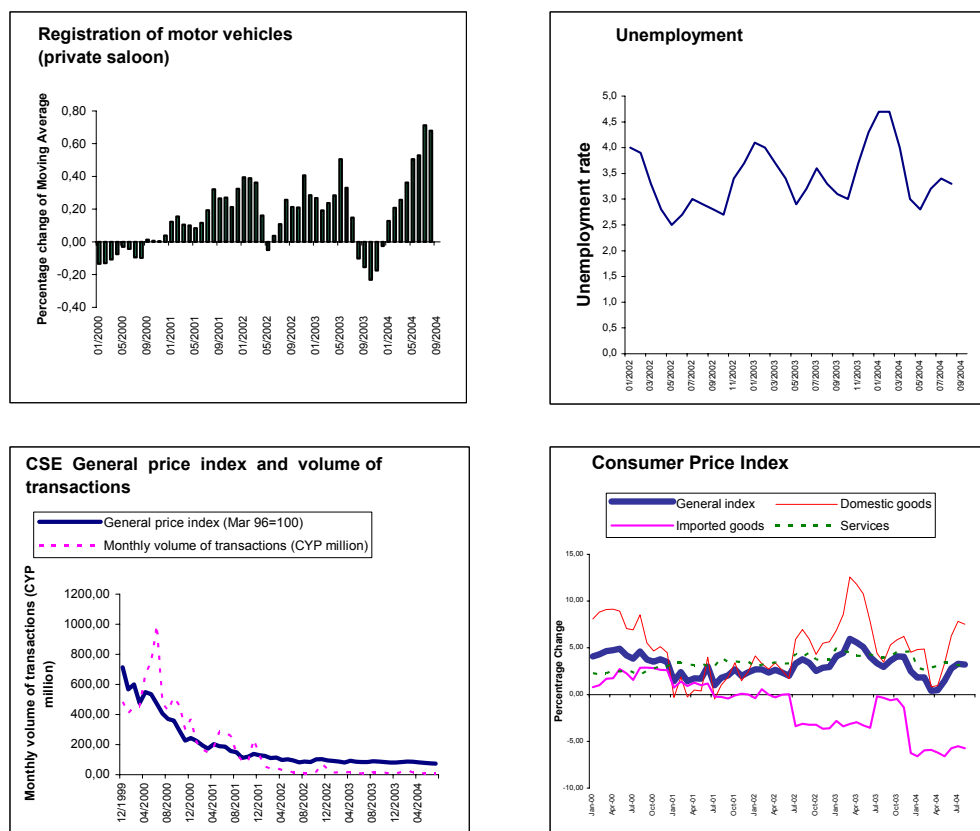
Manufacturing presented a positive picture as the volume index of manufacturing production rose by 3,7% in June 2004, compared with a decrease of 3,3% in the same month of 2003. For the first half of the year, the volume index of manufacturing production grew by 1,3%, compared with 0,8% during the corresponding period of 2003 (table 16). It is worth noting that according to monthly data published in the "Business and Consumer Survey Results" of the European Committee, the degree of capacity utilization in the manufacturing sector during the third quarter of the year exhibited an increase.

**Table 16****Manufacturing production volume index***(% change by category)*

	June 03/02	June 04/03	Jan.-June 03/02	Jan.-June 04/03
General index	-3,3	3,7	0,8	1,3
Food products, beverages & tobacco	-2,4	6,0	-2,2	2,8
Textiles & textile products	13,7	-11,7	6,2	-8,9
Leather and leather products	-43,5	-24,5	-40,5	-18,2
Wood & wood products	-6,6	2,1	10,2	3,5
Paper, paper products, publishing & printing	2,4	4,7	0,0	1,3
Refined petroleum products	-2,4	-97,1	-6,7	-41,2
Chemicals, chemical products and man-made fibres	10,1	6,2	-3,7	4,0
Rubber and plastic products	-7,0	1,6	-2,9	0,3
Other non-metallic mineral products	11,6	10,7	11,9	4,6
Basic metals & fabricated metal products	-20,4	1,6	-0,9	2,4
Machinery and equipment n.e.c.	-20,0	11,1	-13,2	1,6
Electrical & optical equipment	-24,3	-3,7	-15,2	-10,3
Transport equipment	-5,8	-3,8	24,8	-10,7
Manufacturing n.e.c.	-12,0	12,1	8,2	3,0

*Source: National Statistical Service*

## Graph 7



## Consumption

The turnover index of retail trade registered a rise of 2,5% in June 2004, while for the first half of the year the index increased by 3,6%. As far as the intentions of Cypriot consumers are concerned regarding the purchase of products and services during the next six months, there are positive indications

according to the “Business and Consumer Survey Results” of the European Committee. More specifically, expectations are more positive for June and July next year.



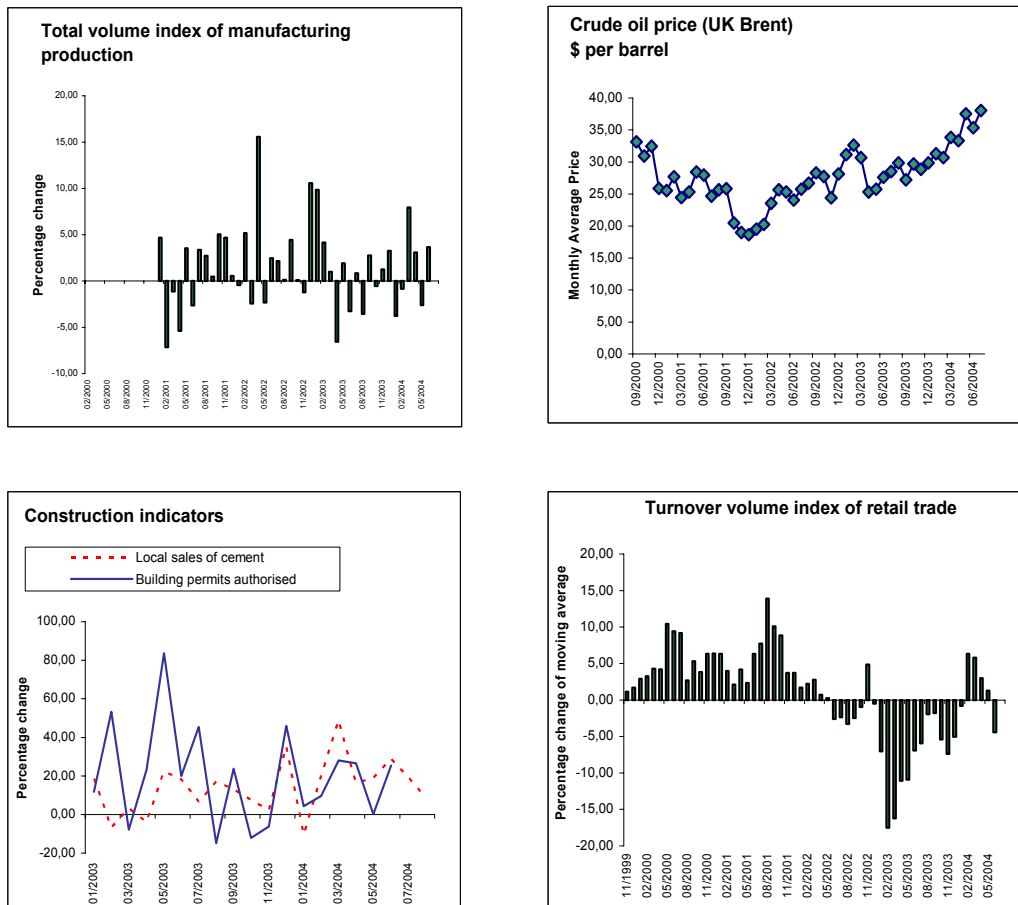
**Table 17**  
**Turnover volume index of retail trade**

(percentage change by category)

	June 04/03	Jan.-June 04/03
General index	<b>2,54</b>	<b>3,60</b>
Retail sale in non-specialised stores with food, beverages or tobacco predominating	3,22	0,20
Other retail sale in non-specialised stores	2,36	1,12
Retail sale of food, beverages and tobacco in specialised stores	-0,66	3,52
Retail sale of pharmaceutical and medical goods, cosmetics and toilet articles	10,47	5,61
Retail sale of textiles, clothing, footwear and leather goods	6,85	14,66
Retail sale of furniture, lighting equipment and household articles, electrical household appliances and radio and television goods hardware, paints and glass	18,98	13,39
Retail sale of books, newspapers and stationery and other retail sale in specialised stores	-12,94	-4,22
Retail sale of second-hand goods in stores	-19,29	-1,75
Retail sale of in stores	-13,38	-9,62

Source: Statistical Service

\* Comparison between 2003 and 2002 could not be made as revised figures for 2002 have not yet been calculated

**Graph 8**

Private saloon car registrations, which provide another important indicator of consumer behaviour, exhibited sizeable increases following the reduction in excise taxes last November. More specifically, in August 2004, car registrations increased by 104,7% compared

with a decrease of 22,7% during the same month of 2003. For the first eight months of 2004, car registrations increased by 43% compared with an increase of 19,1% during the same period of the previous year.

### **Confidence indicators**

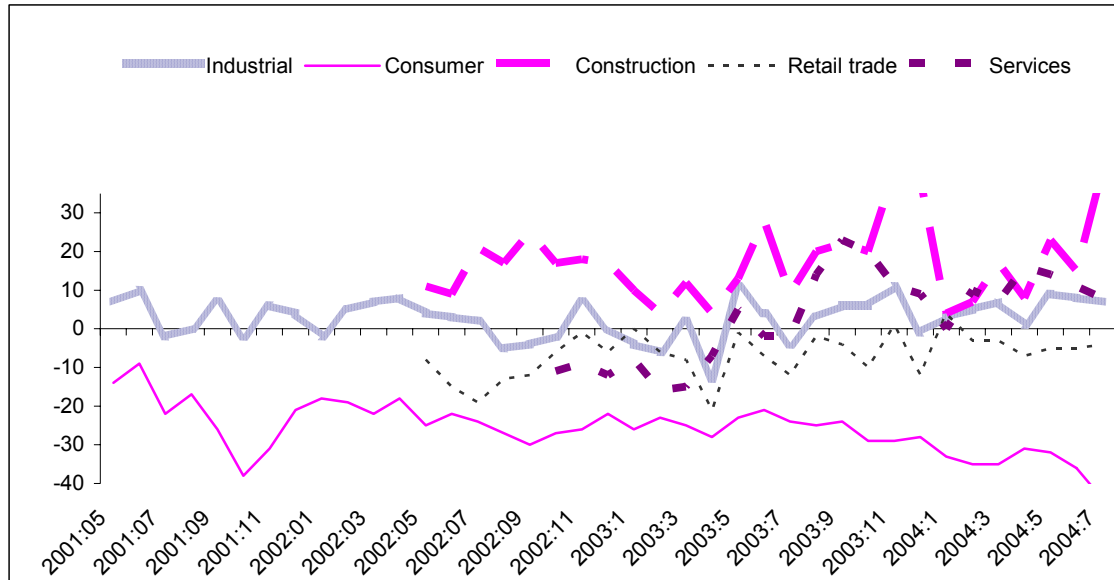
Chart 9 tracks the movement of confidence indicators for the Cypriot economy since May 2001, when the European Commission first started publishing them<sup>6</sup>. The trends in these indicators are consistent with the overall picture of the Cypriot economy presented in this report. In particular, the construction confidence indicator registered an overall positive trend in 2004, which is consistent with the positive performance of the construction sector as portrayed by the volume and value indices of building and cement sales. The construction confidence indicator registered, on average, a positive path during the first seven months of 2004.

The down trend observed in the services confidence indicator from May to July 2004, reflects the uncertainty in tourism throughout the summer months.

The consumer confidence indicator followed a negative course until July 2004, which is in contrast to the acceleration in retail sales and the performance of other indicators of economic activity. The retail sales confidence indicator followed a negative path during the first seven months of 2004, with the exception of January. Finally, the industrial confidence indicator registered fluctuations in the first seven months of 2004, while in the first months of 2004, it registered, on average, a positive movement.

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<sup>6</sup>The European Commission publishes monthly confidence indicators for consumer, industry, construction and retail trade in the European Union member states and in the accession countries. The released data refer to the end of each month and are based on surveys conducted by the national statistics institutes and harmonised by the European Commission.

**Graph 9****Confidence indicators***(units, end of the month)*

### **Labour market**

According to the latest available data for the labour market, the number of unemployed increased by 0,2% in August 2004, while the unemployment rate, as a percentage of the economically active population, fluctuated around 3,3%, the same percentage for corresponding month of the previous year. For the first eight months of 2004, the number of registered unemployed increased by 4,1% compared with an increase of 13,4% in the same period of 2003, and the unemployment rate rose to 3,7% from 3,5% in the first eight months of 2003.

### **Public finances**

In accordance with the preliminary data of the Government Consolidated Accounts issued by the Ministry of Finance covering the period from 1 January until 30 June 2004, public revenue increased to £1.283,1, public expenditure reached £1.371,1 and the fiscal deficit increased to £88,0 million.

It should be clarified that the above figures refer to the Accounts of the General Government and these cover the accounts of Central Government as these are defined in the Government budget, as well as a number of semi-governmental organisations, a number of funds that are not covered by the Government budget, the local authorities and the social securities funds.

At present, no comparison can be made with the first half of 2003, as the figures for the General Government for this period have not been published by the Statistical Service of Cyprus.

Despite the noted reduction in the fiscal deficit, this improved course is not secured in the second half of 2004, as the loss of income, mainly import duties, due to Cyprus's entry in the EU will reflect in the second half of 2004, while some of the expenditure will accelerate during the second half of 2004.

Given the target to satisfy the nominal convergence criteria as stipulated by the Maastricht Treaty, the fiscal deficit should be reduced to 5,2% of GDP during 2004, with a further reduction to 2,9% of GDP in 2005, thus making it absolutely necessary to rehabilitate Cyprus's government finances.

As regards Cyprus's participation in ERM II, pending the ultimate adoption of the euro, the target remains that it should stay within the mechanism for a minimum period of two years. Cyprus continues to not satisfy the nominal convergence criteria as stipulated by the Maastricht Treaty, while on May 1 2004, (concurrently with Cyprus's complete accession to the European Union) the Excessive Deficit Procedure was initiated in the context of the established procedures of the European Council, the Economic and Financial Committee, as well as ECOFIN. Being under the tied supervision of the Government Finances by the EU it is urgently necessary to reverse the soonest possible the existing fiscal imbalances.

### ***Overall assessment of the domestic economy in 2004***

As regards the domestic economy a remarkable development was the revival of the growth rate of the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2004 which grew by 3,6% and 4,1%, respectively, compared with 1,9% and 1,2% respectively, in the corresponding quarters of 2003, reflecting the good performance exhibited by almost all sectors of the economy, but particularly retail, construction and manufacturing. It should be noted

that the existing forecasts of 3,5% for 2004 were based on the increase of imports of goods which also reflects a rise in private consumption and investment.

Bearing in mind the subdued performance of tourism, especially during July and August, it is expected that the crude trade deficit will be widened further.

**Table 18****Accounts of General Government (analysis of expenditure and revenue)**

	Jan.-Mar. 2004	Apr. - June 2004	Jan. - June 2004
	<i>(In million CY pounds)</i>		
<b>EXPENDITURE</b>			
Intermediate consumption	52,7	73,5	<b>126,2</b>
Capital formation	30,4	49,9	<b>80,3</b>
Compensation of employees	251,8	260,6	<b>512,4</b>
Other taxes on production	0,1	0,0	<b>0,1</b>
Subsidies	12,4	15,9	<b>28,3</b>
Interest paid	101,5	9,0	<b>110,5</b>
Social benefits	158,3	217,3	<b>375,6</b>
Other current transfers	39,9	71,7	<b>111,6</b>
Capital transfers	10,2	15,9	<b>26,1</b>
<b>Total expenditure</b>	<b>657,3</b>	<b>713,8</b>	<b>1371,1</b>
<b>REVENUE</b>			
Market output & output for own final use	48,6	43,8	<b>92,4</b>
Taxes on production and imports	272,6	280,1	<b>552,7</b>
of which VAT	163,2	149,7	<b>312,9</b>
Property income	1,3	17,1	<b>18,4</b>
Current taxes on income, wealth, etc	144,3	136,9	<b>281,2</b>
Social contributions	128,2	149,6	<b>277,8</b>
Other current transfers	12,1	28,9	<b>41,0</b>
Capital transfers	1,3	18,3	<b>19,6</b>
<b>Total revenue</b>	<b>608,4</b>	<b>674,7</b>	<b>1283,1</b>
<b>Surplus (+) / Deficit (-)</b>	<b>-48,9</b>	<b>-39,1</b>	<b>-88,0</b>

Source : Statistical Service

## 2.5 EXTERNAL TRANSACTIONS

An overview of the trade balance for the first six months of 2004 is given in table 19 .The data is provisional.

It should be noted that from May 2004 the collection of data which refers to trade with EU countries (Intra-EU) is undertaken using a new methodology introduced by Eurostat. For this reason and until this method is improved available data will only be for total imports and exports without the breakdowns.

Total imports rebounded in the first six months of 2004, with an increase of 20,2% compared with a decrease of 11,3% in the same period of the previous year. This increase is partly due to the positive signs of recovery of the Cyprus economy, and partly as a result of the significant increase in the imports of cars following the reduction in the taxes on most types of vehicles in November 2003.

Turning to exports, provisional data indicate an increase in the first six months of 6,5% compared with a decrease of 7,7% in the same period of 2003.

As a result of these developments, the crude trade deficit widened to £1.082,5 million in the first six months of 2004 from £872,2 million in the same period of 2003.

It should be noted that the increase of imports in the first six months of 2004, was mainly registered in April 2004. Total imports in April 2004 increased by 54% compared with April 2003. This was attributed to the negative climate that was formed as regards the value of the Cyprus pound, forcing importers to arrange all payments for their goods imported prior to a possible devaluation of the Cyprus pound.



**Table 19****Trade balance data***(Cyprus pounds in millions)*

Period	Total Trade					
	Total Imports/ Arrivals	Συνολικές Εξαγωγές/Αποστολές	Total exports		Arrivals	Αποστολές
	(c.i.f.)	(f.o.b.)	(c.i.f.)	(f.o.b.)	(c.i.f.)	(f.o.b.)
<b>2000</b>	2.401.950	591.864	1.140.885	364.466	1.261.065	227.398
<b>2001</b>	2.528.720	627.910	1.208.750	376.488	1.319.970	251.422
<b>2002</b>	2.486.612	511.277	1.140.858	240.919	1.345.754	270.358
<b>2003</b>						
January	170.464	31.737	74.516	11.869	95.952	19.868
February	150.176	37.112	57.045	15.137	93.128	21.975
March	214.836	44.146	99.893	16.929	114.940	27.217
April	205.135	40.228	86.781	17.622	118.351	22.606
May	195.240	46.547	83.208	18.474	112.028	28.073
June	182.106	45.954	76.875	20.483	105.228	25.471
July	242.434	49.198	119.340	17.287	123.090	31.911
August	147.935	31.163	62.920	13.844	85.013	17.319
September	197.280	43.227	90.950	20.658	106.328	22.569
October	199.871	40.557	81.321	16.067	118.547	24.490
November	189.588	32.558	73.067	14.379	116.503	18.179
December	209.017	34.372	86.865	15.570	122.149	18.802
<b>2004</b>						
January	176.934	29.041	85.689	12.715	91.243	16.326
February	159.384	33.525	60.702	13.029	98.680	20.496
March	241.688	49.479	97.701	16.892	143.986	32.587
April	316.788	45.418	138.609	15.303	178.179	30.115
May	194.801	58.757	47.524	12.684	147.277	46.073
June*	254.633	45.508	70.536	15.323	184.097	30.185
January - June 2003	1.117.957	245.724	478.318	100.514	639.627	145.210
January - June 2004*	1.344.228	261.728	500.761	85.946	843.462	175.782
% change Jan.-Jun. 2004/2003	20,24	6,51	4,69	-14,49	31,87	21,05

\* Provisional

- Notes: 1. Care should be taken when comparing data for May 2004 inwards with pre-May 2004 data due to methodological changes resulting from the accession to EU. Data are not strictly comparable since data prior to May 2004 of Intra-Eu and Extra-EU trade on arrivals/imports are recorded by country of origin while on dispatches/exports by country of final destination, whereas data for May 2004 onwards for Intra-EU trade on arrivals are recorded by country of consignment and on dispatches by country of dispatch.
2. Intra-EU trade refers to trade with EU 25 Member States, while Extra-EU trade refers to trade with third countries.
3. Arrivals denote goods within the European Union which enter the statistical territory of Cyprus and "Dispatches" denote goods which leave the statistical territory of Cyprus to enter another Member State.
4. Data on countries and territories not specified and stores and provisions prior to May 2004 are included in Extra-EU trade.
5. Because of rounding there may be slight discrepancies between the totals shown and the sum of constituent items.

### ***Tourism***

In relation to the tourism sector, arrivals in the month of August were down by 6% (table 20). For the first eight months of 2004 an increase of 2,4% was recorded in comparison with a decrease of 6,7% for the same period in the previous year. This decrease in August arrivals was due, to some extent, to the Olympic Games. With regard to tourism receipts the month recorded a downturn of the order of 10,4%, whereas during the first eight months of 2004, there was a decrease of 4,9% compared with a fall of 9,6% for the same period of the previous year. The increase in tourist arrivals of 2,4% during the first eight months of 2004 combined with the significant decrease in tourist revenue, indicates that there has been a decrease in the per capita spending by tourists.

### ***Balance of payments prospects***

Table 13 shows data relating to the balance of payments for the first six months of 2004. This data was collected through the banking system by the Statistical Department of the Central Bank of Cyprus and reveals a widening in the current account deficit of £120 million compared with the corresponding period of 2003. This is due to the increase in the imports of goods.

**Table 20****Tourist arrivals<sup>1</sup>***(number of persons)*

	2000	2001	2002	2003	2004	% change 2002/2001	% change 2003/2002	% change 2004/2003
January	63.553	64.214	54.067	59.529	56.504	-15,8	10,1	-5,1
February	87.243	83.569	71.950	77.972	75.705	-13,9	8,4	-2,9
March	135.487	137.578	138.625	91.634	111.946	0,8	-33,9	22,2
April	221.785	237.228	180.481	169.891	191.251	-23,9	-5,9	12,6
May	299.355	324.901	279.070	231.527	261.646	8,5	-17,0	13,0
June	302.011	322.835	293.192	262.100	264.799	6,9	-10,6	1,0
July	362.299	373.385	327.404	318.143	305.978	3,1	-2,8	-3,8
August	356.686	371.536	301.724	325.390	305.926	4,2	7,8	-6,0
September	329.964	329.400	306.731	287.358		-0,2	-6,3	
October	300.597	269.744	275.840	271.980		-10,3	-1,4	
November	133.500	107.454	111.327	123.800		-19,5	11,2	
December	93.722	74.887	77.822	83.919		-20,1	7,8	
Jan. - Aug.	1.828.419	1.915.246	1.646.513	1.536.280	1.573.755	-14,0	-6,7	2,4
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.243		-10,3	-4,8	

*Source: Statistical Service of Cyprus*<sup>1</sup> Arrivals of same - day visitors are not included**Table 21****Receipts from tourism<sup>1</sup>***(Cyprus pounds in millions)*

	2000	2001	2002	2003	2004	% change 2003/2002	% change 2004/2003
January		24,9	21,6	25,6	21,8	18,8	-15,0
February		29,1	28,9	31,4	25,4	8,9	-19,1
March		49,7	59,2	37,8	42,1	-36,1	11,2
April		89,9	77,0	67,1	72,1	-12,9	7,4
May		139,1	119,5	92,5	99,5	-22,6	7,6
June	122,9	157,4	139,3	114,8	109,3	-17,6	-4,8
July	162,7	192,0	160,7	152,4	135,1	-5,2	-11,4
August	173,7	205,0	153,8	165,3	148,1	7,5	-10,4
September	161,9	176,3	157,4	134,1		-14,8	
October	135,1	130,2	128,0	112,4		-12,2	
November	54,1	48,8	51,4	48,7		-5,3	
December	36,2	29,2	35,6	32,9		-7,6	
Jan. - Aug.		887,1	760,0	687,0	653,3	-9,6	-4,9
Jan. - Dec.		1.271,6	1.132,4	1.015,1		-10,4	

*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)*

Date of monetary policy decision		Deposit facility	Open market operations			Marginal lending facility
			Main refinancing operations	Liquidity absorbing operations		
				Reverse repo operations	Acceptance of deposits operations	
			Repo operations	Maximum bid rate	Maximum bid 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	4,00	5,50
2002	13 Dec.	2,50	3,75	3,75	3,75	5,00
2003	04 Apr.	2,50	3,50	3,50	3,50	4,50
2004	30 Apr.	3,50	4,50	4,50	4,50	5,50

*Source: Central Bank of Cyprus***Table 2****Open market operations allotted through tenders****Liquidity absorbing operations<sup>(1)</sup>***(Cyprus pounds millions, interest rates in percentages per annum)*

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders				Running for (...) days
			Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate	
2004 05 Jan.	200,0	180,0	3,50	3,38	3,25	3,45	10
15 Jan.	263,5	200,0	3,50	3,37	3,27	3,44	6
22 Jan.	169,8	169,8	3,50	3,31	3,24	3,43	7
29 Jan.	177,5	160,0	3,50	3,47	3,36	3,50	14
12 Feb.	198,0	170,0	3,50	3,47	3,41	3,50	14
26 Feb.	202,0	190,0	3,50	3,47	3,41	3,50	14
11 Mar.	201,0	150,0	3,50	3,47	3,42	3,50	7
18 Mar.	165,0	100,0	3,50	3,37	3,33	3,39	15
02 Apr.	164,0	100,0	3,50	3,31	3,29	3,50	13
15 Apr.	152,0	100,0	3,50	3,29	3,29	3,29	14
08 Jul.	125,5	70,0	4,50	4,45	4,44	4,46	7
15 Jul.	79,0	79,0	4,50	4,34	4,32	4,47	14
29 Jul.	122,0	100,0	4,50	4,39	4,33	4,43	14
12 Aug.	182,5	180,0	4,50	4,37	4,32	4,43	14
26 Aug.	209,0	180,0	4,50	4,29	4,14	4,41	14
09 Sept.	256,0	200,0	4,50	4,28	4,24	4,48	14
23 Sept.	121,0	80,0	4,50	4,17	4,14	4,19	14

*Source: Central Bank of Cyprus**(1) Since 9 October 2001, open market operations for the absorption of liquidity are conducted through auctions for the acceptance of deposits (depos).*

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

		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
2003	Aug.	3,09	-	3,41	3,57	-	2,10	2,12	2,14	2,17	2,28
	Sep.	3,35	3,60	3,46	3,66	-	2,02	2,13	2,15	2,18	2,26
	Oct.	3,18	3,42	3,56	3,58	3,90	2,01	2,10	2,14	2,17	2,30
	Nov.	3,34	3,54	3,55	3,70	4,00	1,97	2,09	2,16	2,22	2,41
	Dec.	3,31	3,60	3,50	3,65	-	2,06	2,13	2,15	2,20	2,38
2004	Jan.	3,10	-	3,52	-	3,25	2,02	2,08	2,09	2,12	2,22
	Feb.	3,03	-	3,57	3,86	4,18	2,03	2,06	2,07	2,09	2,16
	Mar.	`	3,18	3,58	4,09	-	2,01	2,04	2,03	2,02	2,06
	Apr.	3,25	3,44	3,46	4,25	-	2,08	2,05	2,05	2,06	2,16
	May	4,73	4,51	4,91	5,09	4,44	2,02	2,06	2,09	2,14	2,30
	June	4,22	4,41	4,67	5,20	5,20	2,03	2,08	2,11	2,19	2,40
	July	4,15	4,42	5,15	5,20	-	2,07	2,08	2,12	2,19	2,36
	Aug.	4,16	4,30	5,15	5,15	-	2,04	2,08	2,11	2,17	2,30

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

**Table 4****Bank interest rates<sup>1, 2</sup>***(percentages per annum)*

	Lending rates					Deposit rates		
	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
2002 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
Sep	6,92	6,90	7,40	6,30	10,50	0,46	3,34	3,52
Oct.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,50
Nov.	6,92	6,90	7,53	6,30	10,50	0,42	3,35	3,48
Dec.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,45
2004 Jan.	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,43
Feb	6,92	6,90	7,53	6,30	10,50	0,45	3,35	3,42
Mar	6,92	6,90	7,53	6,30	10,50	0,44	3,35	3,43
Apr	6,92	6,90	7,53	6,30	10,50	0,42	3,35	3,40
May	7,92	7,90	8,53	7,30	11,50	0,69	4,41	3,88
June	7,92	7,90	8,53	7,30	11,50	0,66	4,42	4,04
July	7,92	7,90	8,53	7,30	11,50	0,66	4,43	4,08
August	7,92	7,90	8,53	7,30	11,50	0,67	4,61	4,11

*(1) Reported as end of month.**(2) Data refer to the average of the representative interest rates as defined by the three largest banks.*

**Table 5****European Monetary Financial Institutions (MFI) interest rates***(percentages per annum, outstanding amounts as end-of-period)***1. Interest rates on euro-denominated deposits by euro area residents**

	Deposits from households					Deposits from non-financial corporations		
	Overnight	With agreed maturity		Redeemable at notice <sup>1)</sup>		Overnight	With agreed maturity	
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years
2003 July	0,68	2,08	3,43	2,14	2,93	0,88	2,24	4,40
Aug.	0,68	2,04	3,43	1,99	2,88	0,88	2,20	4,26
Sep.	0,69	2,01	3,44	2,00	2,85	0,87	2,23	4,32
Oct.	0,69	1,97	3,47	2,05	2,73	0,88	2,12	4,33
Nov.	0,70	1,98	3,44	2,01	2,70	0,87	2,13	4,43
Dec.	0,69	1,97	3,54	2,02	2,68	0,86	2,14	4,25
2004 Jan.	0,69	1,94	3,36	2,03	2,65	0,93	2,09	4,27
Feb.	0,69	1,93	3,42	2,02	2,63	0,86	2,09	4,22
Mar.	0,70	1,92	3,32	2,00	2,59	0,86	2,08	4,17
Apr.	0,70	1,90	3,35	2,02	2,57	0,85	2,09	4,16
May	0,70	1,89	3,28	2,00	2,55	0,86	2,07	4,15
June	0,70	1,89	3,27	2,00	2,55	0,87	2,09	4,11

**2. Interest rates on euro-denominated loans by euro area residents**

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
2003 July	5,18	5,07	5,31	8,33	7,28	5,96	4,61	4,32	4,81
Aug.	5,07	4,99	5,25	8,28	7,23	6,07	4,54	4,21	4,74
Sep.	5,00	4,95	5,24	8,30	7,27	6,00	4,55	4,20	4,75
Oct.	5,00	4,92	5,20	8,13	7,13	5,84	4,56	4,12	4,71
Nov.	4,97	4,90	5,17	7,98	7,09	5,82	4,52	4,18	4,67
Dec.	5,09	4,88	5,14	8,04	7,05	6,00	4,56	4,23	4,67
2004 Jan.	5,05	4,89	5,11	8,15	7,02	5,92	4,58	4,07	4,56
Feb.	5,01	4,91	5,11	8,13	7,16	5,95	4,62	4,06	4,58
Mar.	4,98	4,82	5,03	8,05	7,17	5,89	4,56	3,96	4,61
Apr.	4,90	4,75	5,01	8,03	7,08	5,85	4,51	3,91	4,59
May	4,89	4,72	4,99	7,99	7,04	5,82	4,50	3,87	4,55
June	4,87	4,69	4,97	7,93	6,99	5,80	4,48	3,90	4,53

Source: European Central Bank

1) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector in all participating Member States combined.



**Table 6****Calendar of interest rates announcements in 2004**

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
European Central Bank <sup>1</sup>	8 2,00	5 2,00	4 2,00	1 2,00	6 2,00	3 2,00	1 2,00	5 2,00	2 2,00	7	4	2
Bank of England <sup>2</sup>	8 3,75	5 4,00	4 4,00	8 4,00	6 4,25	10 4,50	8 4,50	5 4,75	9 4,75	7	4	9
Federal Reserve System <sup>3</sup>	27/28 1,00		16 1,00		4 1,00	29/30 1,25		10 1,50	21 1,75		10	14
Central Bank of Cyprus <sup>4</sup>	16 4,50	27 4,50		7 4,50		4 5,50	9 5,50		3 5,50	11		3
				30 5,50								

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

**Table 7**

**Percentage change in the Consumer Price Index by economic origin (%)**  
**2002 - 2004**

			Quarterly			Aug. 2003/ 2002	July 2004/ 2003	Aug. 2004/ 2003	Jan.- Aug. 2003/ 2002	Jan.- July 2004/ 2003	Jan.- Aug. 2004/ 2003	Weights 1998=100
	2002	2003	2003 IV	2004 I	2004 II							
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>3,54</b>	<b>1,35</b>	<b>1,59</b>	<b>2,94</b>	<b>3,30</b>	<b>3,20</b>	<b>4,43</b>	<b>1,73</b>	<b>1,91</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>4,35</b>	<b>7,30</b>	<b>5,54</b>	<b>3,47</b>	<b>3,53</b>	<b>3,49</b>	<b>7,83</b>	<b>7,51</b>	<b>8,26</b>	<b>4,09</b>	<b>4,51</b>	<b>36,69</b>
A.1 Agricultural	1,79	4,54	6,04	6,06	3,14	3,52	11,13	6,06	3,30	3,04	3,41	7,93
A.2 Industrial	5,62	7,90	5,50	5,21	4,51	3,37	7,66	8,43	9,41	5,05	5,47	27,24
A.2.1 industrial non-petroleum	4,55	6,46	5,29	4,71	3,13	4,07	3,83	4,17	7,17	3,27	3,38	22,91
A.2.2 fuel and gas	10,57	14,16	6,39	7,24	10,33	0,57	23,37	25,92	19,47	12,19	13,85	4,33
A.3 Electricity	-2,26	10,20	4,41	1,63	-8,33	5,05	-1,76	0,28	13,01	-5,15	-4,48	1,52
<b>B IMPORTED GOODS</b>	<b>-1,69</b>	<b>-2,38</b>	<b>-2,69</b>	<b>-4,73</b>	<b>-6,18</b>	<b>-0,36</b>	<b>-5,50</b>	<b>-5,75</b>	<b>-2,48</b>	<b>-6,07</b>	<b>-6,03</b>	<b>22,20</b>
B.1 Motor Vehicles	-5,07	-8,31	-8,12	-12,87	-9,58	-1,39	-14,23	-14,23	-9,06	-15,17	-15,05	9,43
B.2 Other Imported	0,85	1,81	0,84	0,61	-3,98	0,33	0,25	-0,18	2,34	-0,15	-0,16	12,77
<b>C SERVICES</b>	<b>3,67</b>	<b>4,38</b>	<b>4,58</b>	<b>4,03</b>	<b>3,31</b>	<b>3,98</b>	<b>3,12</b>	<b>3,25</b>	<b>4,34</b>	<b>3,07</b>	<b>3,09</b>	<b>41,11</b>
<b>HICP</b>	<b>2,8</b>	<b>4,0</b>	<b>3,2</b>	<b>1,0</b>	<b>1,2</b>	<b>2,4</b>	<b>2,9</b>	<b>2,8</b>	<b>4,4</b>	<b>1,4</b>	<b>1,6</b>	
<b>Core inflation</b>	<b>2,5</b>	<b>2,5</b>	<b>2,8</b>	<b>2,2</b>	<b>2,4</b>	<b>2,4</b>	<b>2,8</b>	<b>2,7</b>	<b>2,5</b>	<b>2,4</b>	<b>2,4</b>	
<b>Euro area inflation</b>	<b>2,3</b>	<b>2,1</b>	<b>2,0</b>	<b>1,7</b>	<b>2,3</b>	<b>2,1</b>	<b>2,3</b>	<b>2,3</b>	<b>2,1</b>	<b>2,1</b>	<b>2,1</b>	

Source: Statistical Service

**Table 8**

**Weighted contribution to the total change in the Consumer Price Index by economic origin (%)**  
**2002 - 2004**

			Quarterly			Aug. 2003/ 2002	July 2004/ 2003	Aug. 2004/ 2003	Jan.- Aug. 2003/ 2002	Jan.- July 2004/ 2003	Jan.- Aug. 2004/ 2003	Weights 1998=100
	2002	2003	2003 IV	2004 I	2004 II							
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>3,54</b>	<b>1,35</b>	<b>1,59</b>	<b>2,94</b>	<b>3,30</b>	<b>3,20</b>	<b>4,43</b>	<b>1,73</b>	<b>1,91</b>	<b>100,00</b>
<b>A LOCAL GOODS</b>	<b>1,64</b>	<b>2,79</b>	<b>2,17</b>	<b>1,35</b>	<b>1,39</b>	<b>1,34</b>	<b>3,00</b>	<b>2,90</b>	<b>3,12</b>	<b>1,60</b>	<b>1,76</b>	<b>36,69</b>
A.1 Agricultural	0,15	0,37	0,48	0,06	0,25	0,28	0,84	0,49	0,27	0,25	0,28	7,93
A.2 Industrial	1,53	2,22	1,60	1,36	1,32	0,96	2,20	2,38	2,60	1,46	1,57	27,24
A.2.1 industrial non-petroleum	1,02	1,47	1,24	0,74	0,73	0,92	0,88	0,93	1,62	0,76	0,77	22,91
A.2.2 fuel and gas	0,51	0,74	0,36	0,62	0,59	0,03	1,32	1,45	0,98	0,70	0,80	4,33
A.3 Electricity	-0,05	0,20	0,09	-0,06	-0,18	0,10	-0,04	0,03	0,25	-0,11	-0,08	1,52
<b>B IMPORTED GOODS</b>	<b>-0,35</b>	<b>-0,48</b>	<b>-0,52</b>	<b>-1,18</b>	<b>-1,17</b>	<b>-0,07</b>	<b>-1,04</b>	<b>-1,08</b>	<b>-0,50</b>	<b>-1,15</b>	<b>-1,15</b>	<b>22,20</b>
B.1 Motor Vehicles	-0,46	-0,69	-0,62	-1,19	-0,71	-0,11	-1,07	-1,06	-0,78	-1,14	-1,13	9,43
B.2 Other Imported	0,10	0,21	0,10	0,02	-0,46	0,04	0,03	-0,02	0,27	-0,02	-0,02	12,77
<b>C SERVICES</b>	<b>1,52</b>	<b>1,83</b>	<b>1,90</b>	<b>1,17</b>	<b>1,37</b>	<b>1,68</b>	<b>1,33</b>	<b>1,38</b>	<b>1,82</b>	<b>1,28</b>	<b>1,29</b>	<b>41,11</b>

Source: Statistical Service

**Table 9**

**Percentage change in the Consumer Price Index by category of goods and services (%)**  
**2002 - 2004**

	Yearly		Quarterly			Aug. 2003/ 2002	July 2004/ 2003	Aug. 2004/ 2003	Jan.- Aug. 2003/ 2002	Jan.- July 2004/ 2003	Jan.- Aug. 2004/ 2003	Weights
	2002	2003	2003 IV	2004 I	2004 II							1998=100
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>3,54</b>	<b>1,35</b>	<b>1,59</b>	<b>2,95</b>	<b>3,30</b>	<b>3,20</b>	<b>4,43</b>	<b>1,73</b>	<b>1,91</b>	<b>100,00</b>
Food & non-alcoholic beverages	4,58	5,11	5,26	3,11	3,73	3,93	7,65	5,38	4,85	3,97	4,15	18,20
Alcoholic beverages & tobacco	13,32	24,22	24,53	13,36	13,09	12,05	13,24	13,62	25,67	13,23	13,28	1,78
Clothing and footwear	-3,46	1,19	1,34	-2,11	-1,71	0,93	0,25	0,15	0,98	-1,60	-1,38	8,22
Housing, water, electricity and gas	4,08	5,04	4,46	3,79	2,85	3,82	4,35	4,89	5,41	3,46	3,64	21,27
Furnishings, household equipment and supplies	0,81	3,59	1,34	-0,37	-0,88	0,87	-0,98	-0,86	4,70	-0,68	-0,70	7,08
Health	4,70	5,66	5,36	3,63	4,39	5,57	2,90	2,93	5,83	3,85	3,74	4,92
Transport	0,39	0,35	-1,81	-6,41	-5,04	0,49	-1,87	-1,13	1,20	-5,17	-4,67	17,42
Communication	-8,81	-7,16	3,98	-5,05	-8,61	-12,01	-8,42	-8,41	-10,58	-7,06	-7,23	1,79
Recreation & culture	2,20	3,55	2,83	1,59	1,53	1,84	2,27	3,74	3,96	1,66	1,92	5,88
Education	5,71	4,02	3,28	3,25	3,25	4,49	3,25	3,25	4,49	3,25	3,25	2,33
Restaurants & hotels	3,97	5,31	4,59	3,62	4,57	4,25	5,34	5,12	5,65	4,27	4,38	6,07
Miscellaneous goods and services	5,49	5,50	4,43	4,81	6,34	4,23	4,71	4,64	6,04	5,45	5,35	5,04

Source: Statistical Service

**Table 10**

**Weighted contribution to the total change in the Consumer Price Index by category of goods and services (%)**  
**2002 - 2004**

	Yearly		Quarterly			Aug. 2003/ 2002	July 2004/ 2003	Aug. 2004/ 2003	Jan.- Aug. 2003/ 2002	Jan.- July 2004/ 2003	Jan.- Aug. 2004/ 2003	Weights
	2002	2003	2003 IV	2004 I	2004 II							1998=100
<b>GENERAL INDEX</b>	<b>2,81</b>	<b>4,14</b>	<b>3,54</b>	<b>1,35</b>	<b>1,59</b>	<b>2,95</b>	<b>3,30</b>	<b>3,20</b>	<b>4,43</b>	<b>1,73</b>	<b>1,91</b>	<b>100,00</b>
Food & non-alcoholic beverages	0,86	0,97	0,99	0,60	0,71	0,75	1,44	1,03	0,92	0,76	0,79	18,20
Alcoholic beverages & tobacco	0,27	0,54	0,59	0,35	0,34	0,29	0,35	0,36	0,56	0,35	0,35	1,78
Clothing and footwear	-0,25	0,08	0,00	-0,13	-0,12	0,06	0,02	0,01	0,07	-0,11	-0,09	8,22
Housing, water, electricity and gas	0,88	1,10	0,98	0,84	0,63	0,85	0,98	1,09	1,19	0,77	0,81	21,27
Furnishings, household equipment and supplies	0,05	0,23	0,09	-0,02	-0,06	0,06	-0,06	-0,06	0,31	-0,04	-0,05	7,08
Health	0,25	0,30	0,28	0,20	0,23	0,30	0,16	0,16	0,31	0,21	0,20	4,92
Transport	0,07	0,06	-0,30	-1,07	-0,84	0,08	-0,31	-0,19	0,21	-0,86	-0,78	17,42
Communication	-0,13	-0,09	0,05	-0,06	-0,10	-0,16	-0,10	-0,10	-0,14	-0,08	-0,08	1,79
Recreation & culture	0,12	0,19	0,15	0,09	0,08	0,10	0,12	0,20	0,21	0,09	0,10	5,88
Education	0,14	0,10	0,08	0,08	0,08	0,11	0,08	0,08	0,11	0,08	0,08	2,33
Restaurants & hotels	0,26	0,35	0,30	0,24	0,30	0,29	0,36	0,35	0,37	0,29	0,29	6,07
Miscellaneous goods and services	0,28	0,29	0,24	0,26	0,33	0,23	0,26	0,25	0,32	0,29	0,28	5,04

Source: Statistical Service

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

Geographic origin of of non-resident investors	2002 Jan-Dec.	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 June	2003 July	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.	2003 Jan.-Dec.	2004 Jan.	2004 Feb.	2004 Mar.	2004 Apr.	2004 May	2004 June	2004 July	2004 Aug.
<b>EUROPE</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>	<b>531,6</b>	<b>166,0</b>	<b>414,3</b>	<b>5.014,3</b>	<b>1.597,3</b>	<b>1.011,7</b>	<b>301,2</b>	<b>702,6</b>	<b>574,6</b>	<b>439,3</b>	<b>1.054,2</b>	<b>628,5</b>
European Union <sup>2</sup>	2.392,8	37,0	32,2	140,2	135,5	200,1	456,6	345,2	506,3	2.013,0	529,5	165,4	414,3	4.975,2	1.596,1	1.006,4	301,0	696,1	574,3	427,5	634,7	239,8
Greece	1.582,5	8,8	13,1	73,1	22,2	106,0	34,9	331,6	431,0	1.991,7	523,2	154,5	411,1	4.101,0	1.595,7	926,6	110,3	589,2	562,0	413,1	616,0	224,3
United Kingdom	742,6	12,3	5,5	37,8	81,3	45,0	409,5	5,8	52,0	13,0	5,5	10,9	0,1	678,7	0,0	9,5	120,6	105,9	11,2	10,3	0,3	0,3
Acceding countries <sup>3</sup>	24,4	0,0	0,0	0,0	0,5	0,3	0,0	0,0	0,0	0,0	1,4	0,0	0,0	2,2	0,7	5,3	0,2	3,9	1,2	1,1	2,1	2,2
Other European countries	73,4	3,2	8,9	0,8	10,2	2,0	1,0	2,7	1,2	5,6	0,7	0,6	0,0	36,8	0,4	0,0	0,0	2,5	0,3	11,8	419,5	388,6
Russian Federation	50,2	0,4	2,4	0,7	10,0	2,0	0,3	1,8	0,0	0,0	0,2	0,0	0,0	17,9	0,2	0,0	0,0	0,0	0,0	5,9	379,5	333,6
<b>AFRICA</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>	<b>127,0</b>	<b>14,0</b>	<b>5,6</b>	<b>284,1</b>	<b>147,9</b>	<b>145,2</b>	<b>37,6</b>	<b>29,7</b>	<b>20,8</b>	<b>3,7</b>	<b>2,0</b>	<b>11,6</b>
North African countries	6,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	786,0	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	137,1	127,0	14,0	5,6	284,1	147,9	145,2	37,6	29,7	20,8	3,7	2,0	11,6
South Africa	773,6	0,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,5	5,0	20,0	0,0	12,5	0,0	0,0	0,7	11,6
<b>AMERICA</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>	<b>9,8</b>	<b>13,1</b>	<b>51,8</b>	<b>303,0</b>	<b>489,6</b>	<b>138,0</b>	<b>20,8</b>	<b>76,8</b>	<b>0,0</b>	<b>26,2</b>	<b>0,0</b>	<b>0,0</b>
North American countries	150,3	0,0	0,0	0,0	0,0	0,4	3,0	4,3	29,9	17,4	9,8	13,1	51,8	129,7	424,6	130,9	5,7	55,8	0,0	0,0	0,0	0,0
United States of America	84,4	0,0	0,0	0,0	0,0	0,4	3,0	4,3	28,0	17,4	7,7	13,1	51,8	125,7	424,6	130,2	5,7	55,8	0,0	0,0	0,0	0,0
Central American countries	187,6	4,7	0,7	0,0	4,6	56,0	0,0	50,2	53,1	4,0	0,0	0,0	0,0	173,3	65,1	7,1	15,1	21,0	0,0	26,2	0,0	0,0
British Virgin Islands	159,0	0,0	0,0	0,0	4,6	55,7	0,0	50,2	49,1	0,0	0,0	0,0	0,0	159,6	0,0	0,0	0,0	0,0	0,0	13,3	0,0	0,0
South 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>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>	<b>4,2</b>	<b>0,0</b>	<b>0,0</b>	<b>24,1</b>	<b>0,0</b>	<b>0,0</b>	<b>0,7</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>20,2</b>	<b>7,3</b>
West Asia	108,5	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	4,2	4,2	0,0	0,0	23,3	0,0	0,0	0,7	0,0	0,0	0,0	3,2	3,8
Lebanon	73,0	0,2	1,4	0,8	2,8	2,6	0,0	4,6	2,6	3,8	3,7	0,0	0,0	22,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1
Other Asian countries	3,6	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,0	0,0	0,0	0,0	16,9	3,5
<b>OCEANIA</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>0,0</b>	<b>0,0</b>	<b>23,0</b>	<b>26,8</b>	<b>0,0</b>	<b>0,0</b>	<b>1,0</b>	<b>0,0</b>	<b>17,5</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total</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>	<b>672,5</b>	<b>193,1</b>	<b>494,7</b>	<b>5.652,2</b>	<b>2.234,8</b>	<b>1.294,9</b>	<b>361,3</b>	<b>809,1</b>	<b>613,0</b>	<b>469,2</b>	<b>1.076,3</b>	<b>647,4</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> Up to April 2004 the sum for the European Union includes the 15 member states: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. As of May 2004 the sum for the European Union also includes the countries that acceded to the European Union on 1 May 2004.<sup>(3)</sup> The countries (other than Cyprus) that acceded 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-Dec.	2003 Jan.	2003 Feb.	2003 Mar.	2003 Apr.	2003 May	2003 June	2003 July	2003 Aug.	2003 Sep.	2003 Oct.	2003 Nov.	2003 Dec.	2003 Jan.-Dec.	2004 Jan.	2004 Feb.	2004 Mar.	2004 Apr.	2004 May	2004 June	2004 July	2004 Aug.
<b>EUROPE</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>	<b>137,3</b>	<b>292,9</b>	<b>355,7</b>	<b>1.199,3</b>	<b>484,6</b>	<b>171,7</b>	<b>186,4</b>	<b>989,0</b>	<b>85,7</b>	<b>129,1</b>	<b>177,1</b>	<b>93,8</b>
European Union <sup>1</sup>	1.165,7	14,9	11,4	36,5	34,7	9,2	66,4	24,3	106,6	63,2	135,3	290,9	355,7	1.148,9	484,0	169,3	183,4	983,0	85,0	81,4	173,0	65,0
Greece	729,7	14,7	9,5	23,6	11,8	3,7	55,3	11,6	91,5	44,0	29,4	238,6	345,7	879,3	381,9	132,7	89,8	957,6	41,7	73,8	164,0	45,5
United Kingdom	411,2	0,3	1,9	12,8	22,6	4,3	11,1	8,6	5,1	14,8	81,6	47,1	6,1	216,1	7,9	30,6	89,8	6,8	5,7	7,6	7,6	7,5
Acceding countries <sup>2</sup>	37,7	0,0	0,0	0,2	0,0	0,6	0,0	0,0	0,0	0,2	0,0	0,0	0,0	0,9	0,2	0,8	1,1	0,0	1,6	0,0	1,5	1,2
Other European countries	81,8	0,0	0,6	0,3	0,3	0,1	4,6	0,0	6,0	33,5	2,0	2,0	0,0	49,5	0,5	1,6	1,9	6,1	0,7	47,7	4,1	28,8
Russian Federation	71,1	0,0	0,2	0,0	0,0	0,0	2,9	0,0	0,0	0,4	0,0	0,0	0,0	3,5	0,0	0,0	0,0	0,0	0,0	15,0	0,0	0,0
<b>AFRICA</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>	<b>2,6</b>	<b>12,4</b>	<b>2,1</b>	<b>17,1</b>	<b>69,3</b>	<b>124,3</b>	<b>36,9</b>	<b>28,4</b>	<b>11,7</b>	<b>0,0</b>	<b>2,6</b>	<b>22,5</b>
North Africa	7,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other African countries	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,6	12,4	2,1	17,1	69,3	124,3	36,9	28,4	11,7	0,0	2,6	22,5
South Africa	298,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>AMERICA</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>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>21,6</b>	<b>18,0</b>	<b>30,5</b>	<b>15,2</b>	<b>0,0</b>	<b>0,0</b>	<b>10,4</b>	<b>455,2</b>	<b>407,2</b>
North American countries	393,3	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2	0,0	0,0	0,0	3,7	0,0	1,0	0,0	0,0	0,0	0,0	5,8	0,0
United States of America	392,5	0,0	0,0	0,0	0,0	0,0	3,4	0,0	0,0	0,2	0,0	0,0	0,0	3,7	0,0	0,0	0,0	0,0	0,0	0,0	3,4	0,0
Central American countries	66,5	3,9	1,1	6,3	0,0	0,0	0,0	0,0	2,4	3,8	0,5	0,0	0,0	18,0	18,0	29,5	15,2	0,0	0,0	10,4	449,4	407,2
British Virgin Islands	42,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	10,4	449,4	407,2
South 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>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>	<b>4,8</b>	<b>0,0</b>	<b>0,0</b>	<b>14,6</b>	<b>0,0</b>	<b>0,0</b>	<b>1,8</b>	<b>0,0</b>	<b>1,6</b>	<b>0,0</b>	<b>1,3</b>	<b>0,0</b>
West Asia	15,2	0,3	0,9	0,7	0,0	0,3	0,0	1,3	1,8	4,4	4,8	0,0	0,0	14,6	0,0	0,0	1,8	0,0	1,6	0,0	1,3	0,0
Lebanon	15,0	0,3	0,2	0,7	0,0	0,3	0,0	1,3	1,8	4,4	4,8	0,0	0,0	13,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Asian countries	0,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>OCEANIA</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>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>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Total</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>	<b>145,3</b>	<b>305,3</b>	<b>357,8</b>	<b>1.252,6</b>	<b>572,0</b>	<b>326,6</b>	<b>240,3</b>	<b>1.017,4</b>	<b>99,1</b>	<b>139,4</b>	<b>636,1</b>	<b>523,6</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> Up to April 2004 the sum for the European Union includes the 15 member states: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom. As of May 2004 the sum for the European Union also includes the countries that acceded to the European Union on 1 May 2004.<sup>(3)</sup> The countries (other than Cyprus) that acceded to the European Union on 1 May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia).

