



CENTRAL BANK OF CYPRUS

ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

JULY 2004



CENTRAL BANK OF CYPRUS
ECONOMIC RESEARCH DEPARTMENT

MONETARY POLICY REPORT

JULY 2004

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

**CENTRAL BANK OF CYPRUS, 2003
ECONOMIC RESEARCH DEPARTMENT**

Address:

**80 Kennedy Avenue
1076 Nicosia
Cyprus**

Postal Address:

**P.O. Box 25529
CY-1395 Nicosia
Cyprus**

Telephone:

+357-22714433

Website:

<http://www.centralbank.gov.cy>

E-mail:

erdept@centralbank.gov.cy

Fax:

+357-22378155

Telex:

2424, 2228

All rights reserved.

Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

Available, in PDF format at www.centralbank.gov.cy/nqcontent.cfm?a_id=661

CONTENTS

1. INTRODUCTION	1
2. ECONOMIC DEVELOPMENTS	3
2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES	3
2.2 MONETARY DEVELOPMENTS	14
2.3 INFLATION.....	31
2.4 DOMESTIC ECONOMY	33
2.5 EXTERNAL TRANSACTIONS	41
Box – Liquidity conditions and monetary policy operations	23
3. ANNEX	47

1. INTRODUCTION

The steady growth of the US economy brought about the first rise in US interest rates, following a four-year period. The Federal Reserve Bank, in a widely anticipated move, has recently increased its rates by 25 basis points. The Bank of England, also raised interest rates by 25 basis points for the fourth consecutive time in seven months. Unaffected by the aforementioned decisions, the European Central Bank (ECB) maintained its interest rates unchanged, while analysts believe that this stance will hold until the end of the current year. The euro area is the only non-Asian developed economy not to have proceeded with increases in interest rates, as opposed to Switzerland and the US which have recently adopted a reserved monetary policy while Britain and Australia are long into this phase. Internationally, the recent increase in the price of oil is the cause of a widespread concern about the potential inflationary pressures, while at the same time both private consumption and investment have been growing steadily, worldwide. It is noted that, almost all major share indices exhibited a fall during May.

As regards current domestic developments, there are positive signs of recovery of the economy. A notable development was the revival of the growth rate during the 1st quarter of 2004 which grew by 3,4% compared to 2,1% in the corresponding quarter of 2003. At the same time, in May and June, there were significant capital inflows while inflation in May accelerated. More specifically, inflation rose to 1,49% in May, from 0,48% in the previous month. This increase is mainly attributed to the large increase in the fuel price, which is triggered by the increase in the oil price, as well as the acceleration in the prices of agricultural products, of industrial non-oil products and of services. During the first five months of

2004, inflation reached 1,20%, compared with 5,04% in the corresponding period of 2003. This deceleration reflects, to a large extent, the diminishing effect of the increases in the VAT from 10% to 13% with effect as from 1 July, 2002 and from 13% to 15% with effect as from 1st 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 below 2,0%.

On the monetary front, the growth rate of credit to the private sector in the first five months of 2004 was maintained at low levels as compared with the corresponding period of the previous year. Specifically, the annual rate of growth during May remained broadly unchanged as compared with April, reaching 5,2%, although it is well below the rate of 7,3% registered in May 2003. In parallel, there are still balanced liquidity conditions in the money market. Consequently, the Central Bank did not perform any monetary changes.

Concerning tourism, tourist arrivals continued to increase during the first five months of 2004. Specifically, tourist arrivals increased by 10,5%, during the first five months of 2004, compared with a decrease of 12,9% the corresponding period of 2003. At the same time however, receipts from tourism fell by 0,4% in the first five months of 2004 compared with a decrease of 13,2% the corresponding period of 2003.

As regards external trade, provisional data indicate that total imports increased by 20,6% in the first four months of 2004, compared with a decrease of 9,1% in the same period of 2003. Non-oil imports for home consumption, excluding imports of military equipment, also increased. In parallel, total exports increased by 3,8% in the

first four months of 2004. As a result of these developments, the trade deficit reached £734,0 million from £587,4 million in the first four months of 2003.

As regards private consumption, the retail sales volume index increased by 6,8% in the first quarter of 2004. Turning to the labour market, the number of registered unemployed decreased in May 2004, compared with last year, thereby continuing the that has been observed since April, mainly due to the hotel and catering industry. Specifically, in May 2004, the unemployment rate, as a percentage of the economically active population, reached 2,8% compared with 2,9% in the same month of the previous year.

In the secondary sectors of the economy, positive developments were recorded. Manufacturing

registered an improvement in the first quarter of 2004, whereas the performance of construction remained generally encouraging. In particular, the volume and value indices of building permits and cement sales increased in the first quarter of 2004.

With regards to public finances, according to preliminary data issued by the Ministry of Finance, the fiscal deficit reached £48,9 million during the first three months of 2004, compared with £72,2 million during the corresponding period of 2003. Public revenue grew by 3,0%, compared with an increase of 16,3% the corresponding period of 2003, while public expenditure decreased by 1,7% compared with an increase of 21,9% the corresponding period of 2003.

2. ECONOMIC DEVELOPMENTS

2.1 INTERNATIONAL DEVELOPMENTS AND EXCHANGE RATES

International economic developments

International economic recovery is strengthened, with growth rates in the largest economies registering increases as compared with 2003 levels. At their recent meetings, both the Federal Reserve Bank and the Bank of England raised their official interest rates by 25 basis points. The ECB maintained its rates unchanged, mainly because of the fragile recovery of the European economy. The main share indices in Europe and Japan exhibited a fall in May, while in the US stock indices rose, with the exception of the Dow Jones.

More analytically, the chairman of the **US** Federal Reserve, Alan Greenspan, reiterated that there would be a gradual contractionary monetary policy, while he did not rule out any large interest rate rises that may be deemed essential for the economy. Latest data show an increase in the number of employed, while unemployment remained at 5,6%. At the same time, the annual rate of inflation reached 3,1% in May, industrial production rose by 6,3% and retail sales in April increased by 8,5%. As regards share prices, in May the S&P 500 and Nasdaq indices registered rises of 1,2% and 3,5%, respectively, while the Dow Jones fell marginally. Since the beginning of 2004, both the Dow Jones and Nasdaq have declined while the S&P 500 index has risen.

In the **euro area**, retail sales rose by 1% in the 12 months to April. At the same time, there was a rise in inflation, from 2% in April to 2,5% in May because of the rise in the price of oil. Provisional data show inflation standing at 2,4% for June. The German business confidence indicator, IFO, registered a drop in May because of the high oil

prices and unchanged consumer expenditure, despite the increase in the country's exports. The recovery in Europe's largest economy is obvious, despite the fact that German enterprises have not increased their human capital as expected. In contrast to the above, industrial production in France decreased unexpectedly for the first time in three months. Regarding share indices, Germany's DAX, France's CAC 40 and Italy's BCI fell by 3,6%, 2,2% and 2,6%, respectively. Since the beginning of the year the CAC 40 and BCI rose by 1,9% and 2,2%, respectively, while the DAX fell by 2,5%.

In **Britain**, the Bank of England raised its official rates by 25 basis points, to 4,5%, at its June meeting. This is the fourth increase in seven months, without exerting any pressures on economic recovery. The annual rise in property prices amounting to 20,4%, as well as the increase in consumer credit, led to this decisions, while the projections for a growth rate above the potential rate of GDP also influenced the Bank's decision. At the same time, industrial production rose by 0,9% in April, the highest rate in two years. Inflationary pressures are obvious despite the fact that the annual inflation rate of May was less than the target rate of 2%. The FTSE 100 share index registered a decline of 1,5% in May and 1,2% during the first five months of 2004.

In **Japan**, there still exists optimism for imminent economy recovery. The revised first quarter growth rate of GDP was 5,6%. This increase is mainly attributed to the increase in inventory stocks, something that could, however, cause instability in case consumer demand does not increase by the expected rate. In April, there was a rise in the current account surplus while there was an increased deficit in the services sector. The Nikkei 225 share index declined by 5,9% in

May, while it rose by 5,8% in the period from January to May.

The average price of Brent crude oil rose to \$37,55 per barrel in May, up from \$33,31 per barrel in April. This increase was due to high demand and the continuous upheaval and political uncertainty in the Middle East. In June, the average price of Brent dropped to \$35,35 per barrel. OPEC has decided to increase production as of 1 July.

Table 1**GDP projections***(annual percentage change)¹*

	The Economist Poll GDP forecasts ²			Lehman Brothers Weekly Outlook - GDP ³			International Monetary Fund World Economic Outlook ⁴			European Commission Economic Forecasts ⁵		
	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Britain	2,1	3,1 (3,2)	2,6 (2,7)	2,2	3,0	2,4	2,3 (1,7)	3,5 (2,4)	2,5	2,2 (2,0)	3,0 (2,8)	2,8 (2,9)
Japan	2,3	4,1 (3,3)	2,1 (2,0)	2,7	3,9 (3,7)	1,0	2,7 (2,0)	3,4 (1,4)	1,9	2,7 (2,6)	3,4 (1,7)	2,3 (1,5)
USA	3,2	4,7	3,6	3,1	4,8 (4,6)	4,0 (3,9)	3,1 (2,6)	4,6 (3,0)	3,9	3,1 (2,8)	4,2 (3,8)	3,2 (3,3)
Euro area	0,5	1,7 (1,6)	2,0	0,5 (0,4)	1,7	2,4	0,4 (0,5)	1,7 (1,9)	2,3	0,4	1,7 (1,8)	2,3
World				2,2	3,6 (3,5)	2,8	3,9 (3,2)	4,6 (4,1)	4,4	3,7 (3,3)	4,5 (4,1)	4,3 (4,1)

¹ Figures in parentheses indicate the corresponding previous month projection, in case of change.

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

² The Economist, 26 June 2004.³ Lehman Brothers Global Weekly Economic Monitor, 11 June 2004.⁴ International Monetary Fund, World Economic Outlook, April 2004.⁵ European Commission, Economic Forecasts, Spring 2004.**Table 2****Major share indices***(closing prices)*

	2003	2004			
	31 Dec.	3 May	1 June	% change	
				Jan.-May	May
Dow Jones	10.425,0	10.225,6	10.188,5	-2,3	-0,4
S&P 500	1.109,6	1.107,3	1.120,7	1,0	1,2
Nasdaq	2.009,9	1.920,2	1.986,7	-1,2	3,5
Germany					
DAX	3.965,2 *	4.007,7	3.864,2	-2,5	-3,6
France					
CAC 40	3.557,9	3.705,5	3.624,5	1,9	-2,2
Italy					
BCI	1.256,6 *	1.317,6	1.284,0	2,2	-2,6
Britain					
FTSE 100	4.476,9	4.489,7	4.422,7	-1,2	-1,5
Japan					
Nikkei 225	10.676,6 *	12.004,3 **	11.296,8	5,8	-5,9

Source: Reuters

* Closing date 30 December 2003

** Closing date 28 April 2004

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

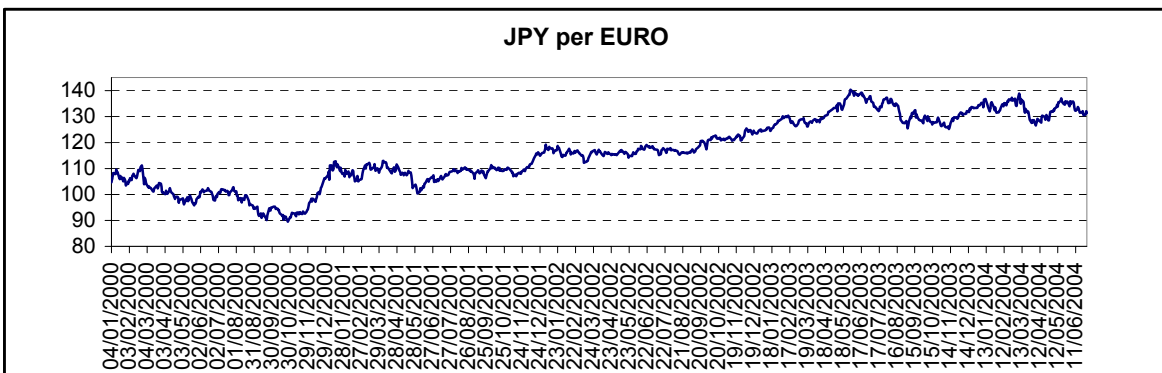
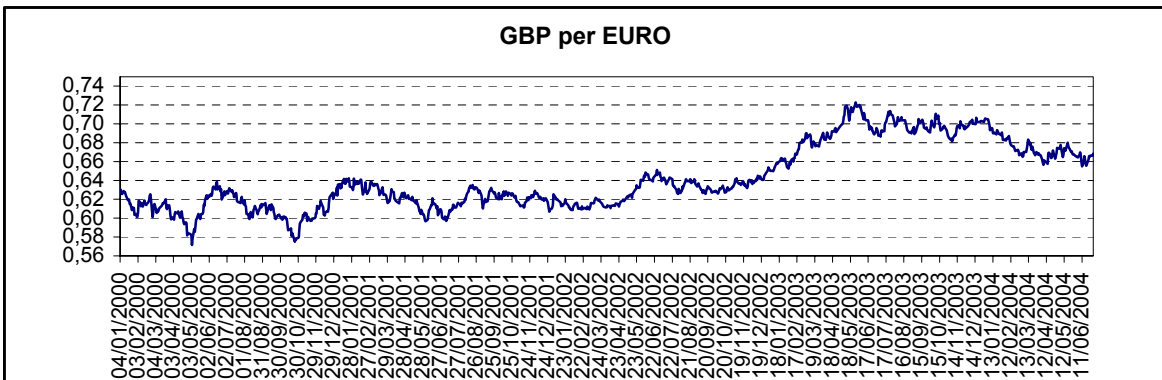
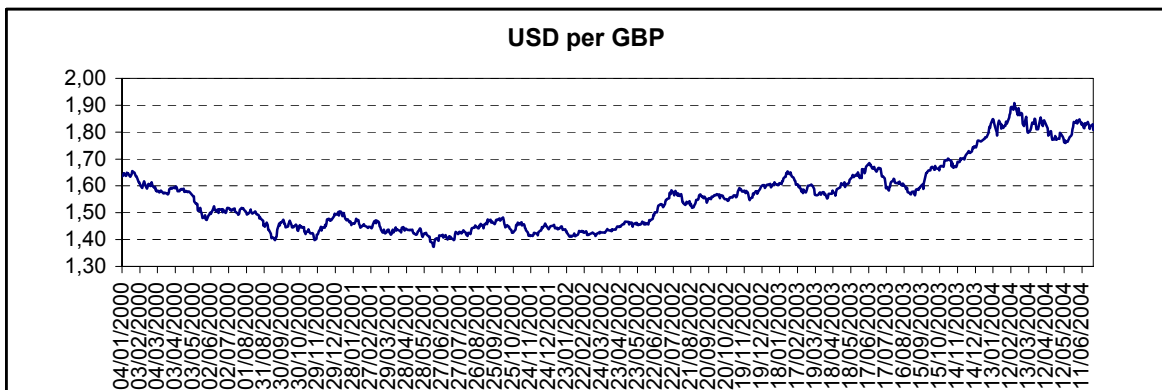
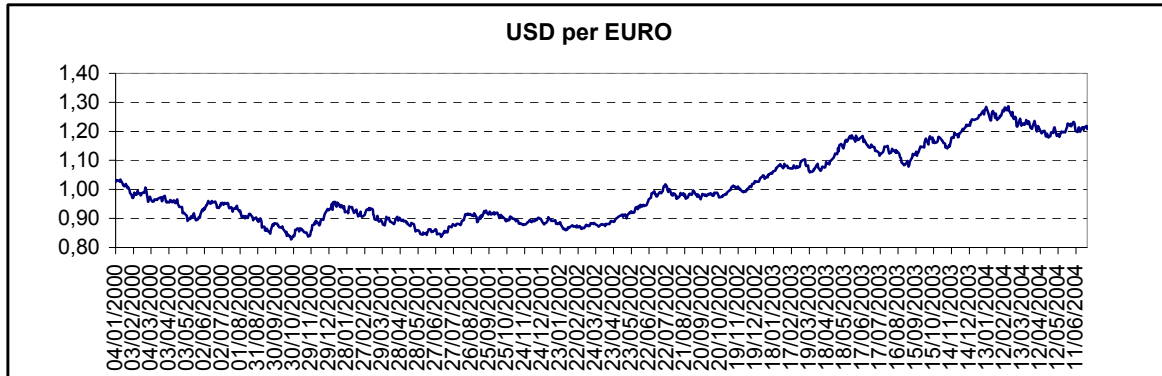
	GDP				Industrial production April (annual)	Retail sales April (annual)	Unemployment April (annual)	Inflation ¹ May (annual)
	2003 (Q4)		2004 (Q1)					
	(quarterly)*	(annual)	(quarterly)*	(annual)				
Britain	3,8	2,8	2,5	3,0	0,5	7,4 ⁴	4,8 ²	1,5
Japan	6,4	3,4	6,1	5,6	8,7	-0,5	4,7	-0,4 ³
USA	4,1	4,3	4,4	5,0	6,3 ⁴	8,5	5,6 ⁴	3,1
Euro area	1,2	0,6	2,3	1,3	1,7	1,0	9,0	2,5

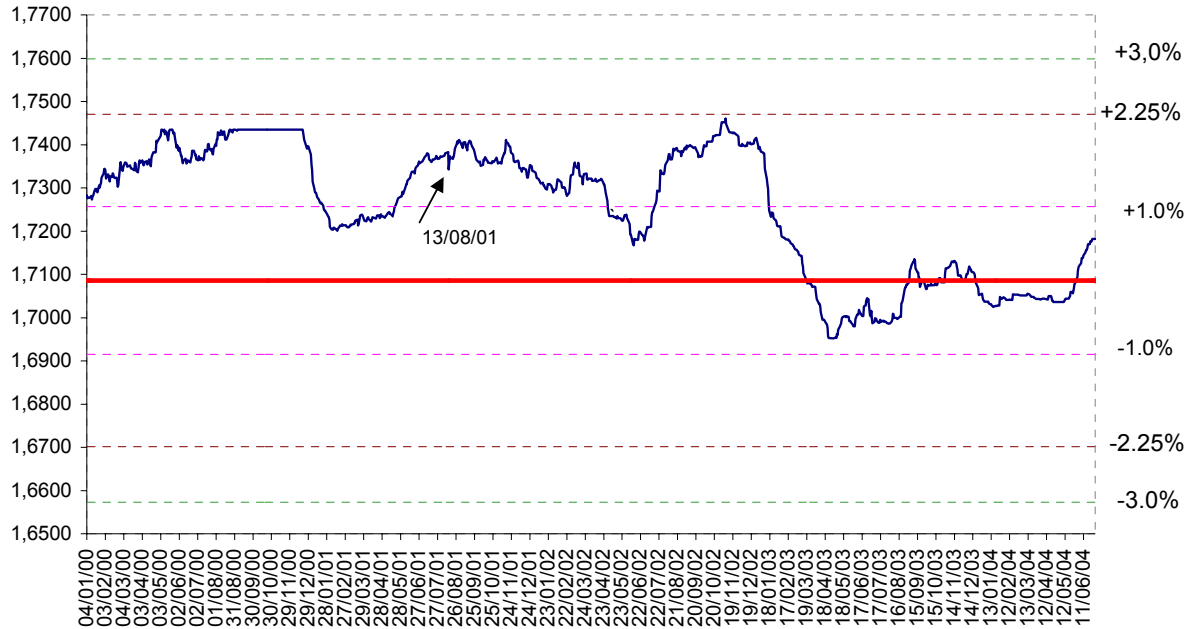
*Source: The Economist, 26 June 2004.*¹ *Based on the Consumer Price Index*² *February - April 2004*³ *April 2004*⁴ *May 2004** *percentage change on previous quarter at an annualised rate***International currencies**

The euro recorded marginal fluctuations against the dollar during the months of May and June, reaching 121 cents to a euro, on 30 June. The course of the dollar during May and June was influenced by statements of the Chairman of the Federal Reserve, Alan Greenspan, implying that the increase in the interest rate would speed-up in an effort to constrain inflation rises. Similar statements were made by the president of the New York Federal Bank. The relevant decrease in the price of oil from 42 dollars a barrel, on 2nd June, to 37 dollars, on 24 June, was yet another factor that positively affected the dollar.

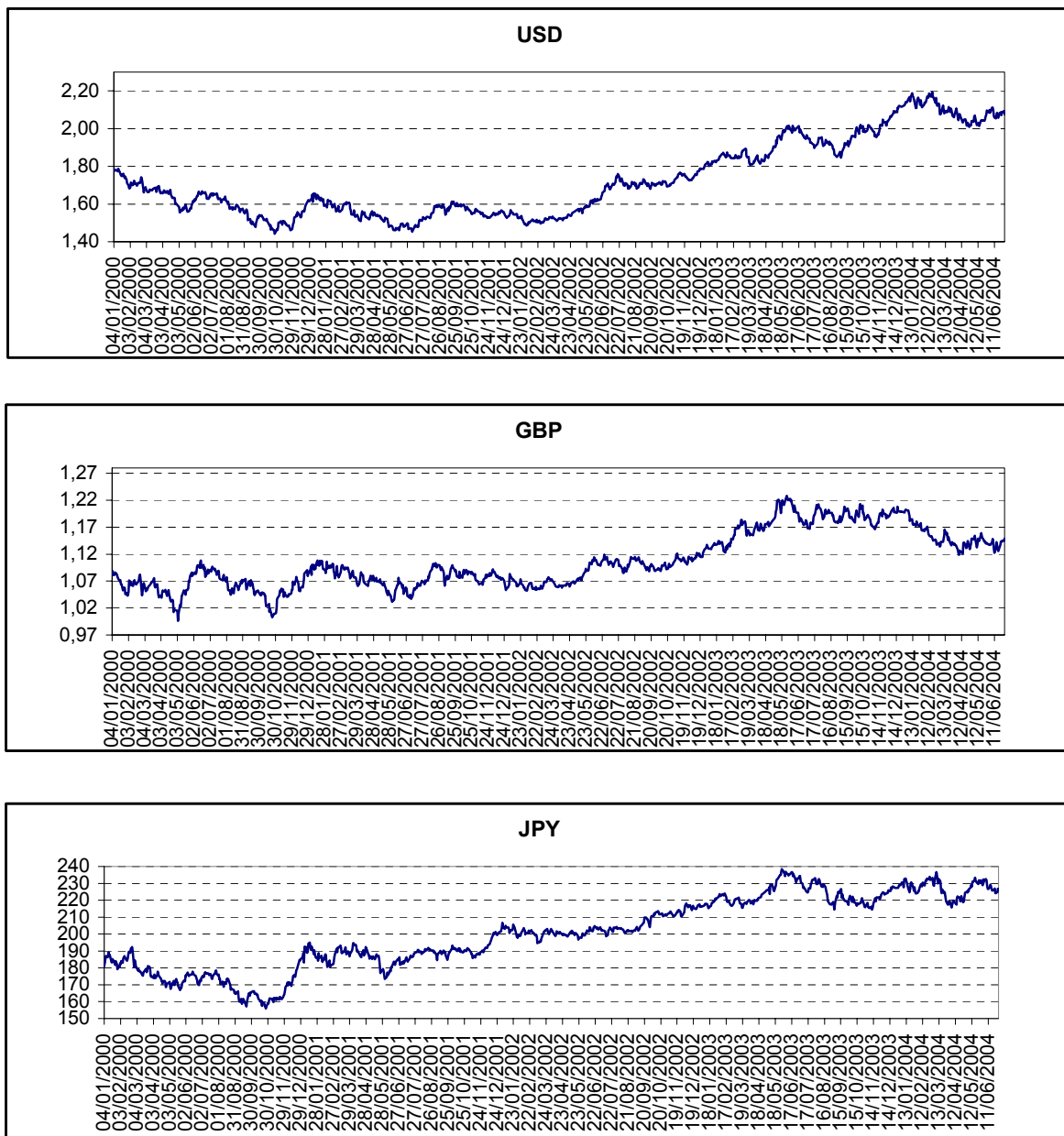
Sterling, during the same period, fluctuated around 66 – 68 pence to a euro. The course of sterling was influenced by the increase in interest rates by 25 units.

In May the Japanese yen depreciated marginally against the euro reaching, on 8 June, to 135 to a euro. Towards the end of June the yen fluctuated reaching the same level as at the beginning of May, that, is 130 yen to a euro.

Graph 1**Major international currencies****04/01/2000 - 30/06/2004***(opening, selling values)*

Graph 2A**Exchange rate of the Euro against the Cyprus pound****04/01/2000 – 30/06/2004***(selling rate, opening)*

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

Graph 2B**Cyprus Pound against major international currencies****04/01/2000 - 30/06/2004***(opening, selling values)***Cyprus pound**

The Cyprus pound registered marginal appreciation vis-à-vis the euro during May and June. On 30 June, 2004, the Cyprus pound reached 1,7197 euro (opening selling price) compared with 1,7052 euro on 3 May, 2004. Reflecting fluctuations in international currencies during this period, the Cyprus pound registered marginal fluctuations against the dollar reaching

2,0838 dollars on 30 June, while on 3 May, it reached 2,0398. During May, the Cyprus pound strengthened slightly against sterling reaching to 1,1599 on 18 May, while during the first days of June and upto the 18 June, it depreciated reaching 1,1278 sterling. The last days of June the Cyprus pound strengthened to 1,1523 sterling on 30 June. Charts 2A and 2B depict

recent fluctuation in the value of the Cyprus pounds against the euro, the dollar, sterling and the yen.

Table 4 illustrates the results from the Central Bank transactions in foreign currency, during the period from 1 May until 30 June, on the basis of the transaction dates. Thus, in May, capital inflows of £29,22m were recorded in comparison

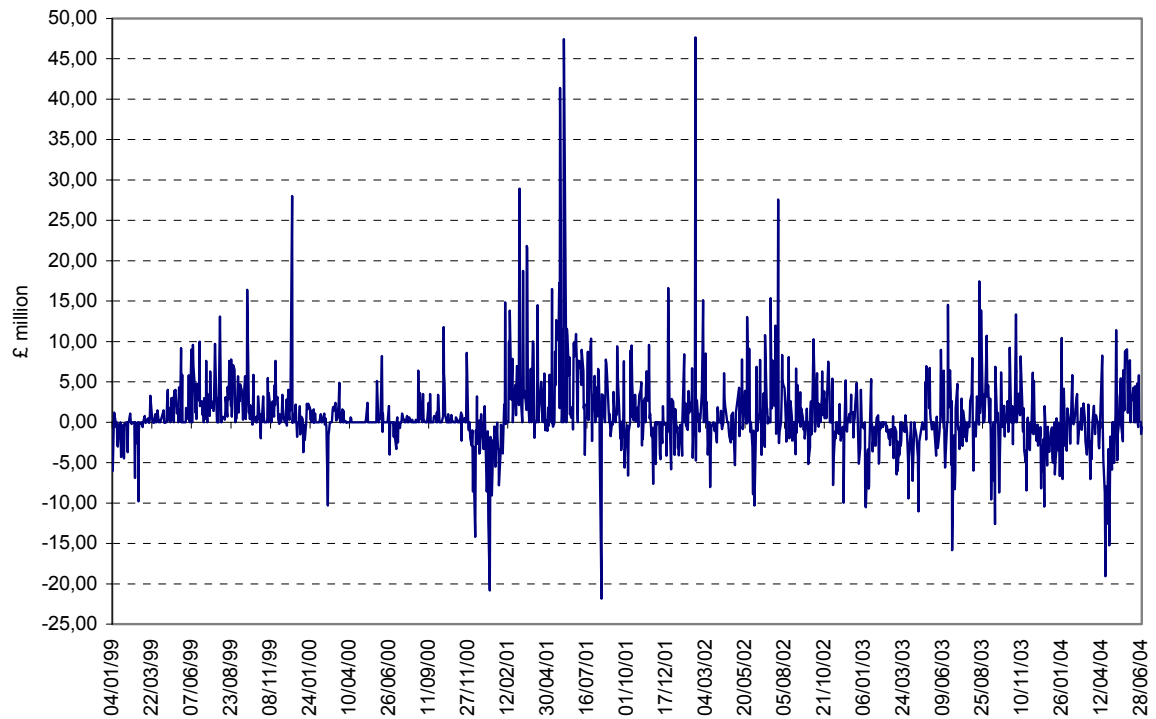
with outflows of £64,26m in April 2003 and outflows of £93,62m in April 2004. The inflows continued reaching £56,90m on 30 June, compared with inflows of £16,96m in June 2003. The daily transactions in foreign currency between the Central Bank and the domestic banks, since 1999 until now, are illustrated in Chart 3.

Table 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	1,7122	1,9361	1,1844	-259,75	1,30	19,50	-134,01
<u>Quarterly</u>							
2002 Q1	1,7367	1,5226	1,0678	106,05	4,50	8,10	71,79
2002 Q2	1,7295	1,5882	1,0873	-12,25	17,30	33,80	34,44
2002 Q3	1,7397	1,7119	1,1054	205,55	13,85	-0,20	126,36
2002 Q4	1,7467	1,7472	1,1119	22,20	29,10	11,35	39,90
2003 Q1	1,7240	1,8505	1,1539	-201,80	1,25	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>Monthly</u>							
December 2002	1,7453	1,7780	1,1209	13,20	8,80	2,60	14,96
January 2003	1,7328	1,8419	1,1392	-96,25	-0,40	0,00	-55,73
February 2003	1,7230	1,8570	1,1535	-37,25	-0,70	0,00	-22,00
March 2003	1,7154	1,8532	1,1707	-68,30	2,35	0,00	-38,55
April 2003	1,7050	1,8457	1,1749	-108,30	-1,40	0,00	-64,26
May 2003	1,7038	1,9728	1,2148	23,10	-0,35	1,00	14,21
June 2003	1,7063	1,9890	1,1991	29,00	0,00	0,00	16,96
July 2003	1,7026	1,9366	1,1919	-33,30	0,00	0,10	-19,47
August 2003	1,7053	1,9073	1,1940	88,30	0,05	-0,20	51,57
September 2003	1,7132	1,9226	1,1936	-4,40	0,40	0,40	-2,08
October 2003	1,7118	2,0038	1,1950	42,95	0,00	7,90	31,68
November 2003	1,7144	2,0062	1,1878	-28,80	1,35	8,30	-9,07
December 2003	1,7106	2,1005	1,2012	-66,50	0,00	2,00	-37,27
January 2004	1,7051	2,1497	1,1799	-83,20	-0,20	9,70	-40,62
February 2004	1,7064	2,1595	1,1555	-23,55	0,00	11,00	-4,25
March 2004	1,7069	2,0982	1,1470	-11,85	2,35	4,10	-2,24
April 2004	1,7058	2,0416	1,1355	-161,15	0,00	1,00	-93,62
May 2004	1,7068	2,0483	1,1471	49,95	0,00	0,00	29,22
June 2004	1,7171	2,0838	1,1402	92,15	6,50	0,10	56,90

Graph 3

**Daily purchases / sales of foreign exchange by the Central Bank
from / to the domestic banks
4/1/1999-30/6/2004**



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

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 2C illustrates the monthly nominal and real effective exchange rates of the Cyprus pound from January 1992 to March, 2004. An upwards 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 2C 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. January, 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 CBC) 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, while for December 2003 the index was 107,9. The first months of 2004 the value of “REER CBC” index reported a marginal depreciation reaching 105,7 in March, 2004.

In 2003, the nominal effective exchange rate index recorded a different evolution than the real index, exhibiting a smaller increase to 97,8 compared with 94,6 during 2002. This is because the strong appreciation recorded by the real effective exchange rate index is mainly due to the higher inflation rate recorded in Cyprus relative to other European countries. The higher inflation rate in Cyprus was the result of VAT increases from 10% to 15% in 2002 and 2003, as well as increases in other consumer taxes especially on oil products, trading partners. Recent data for April 2004 shows the index of 96,9 units thus enhancing the stability which has been observed during recent months.

2.2 MONETARY DEVELOPMENTS

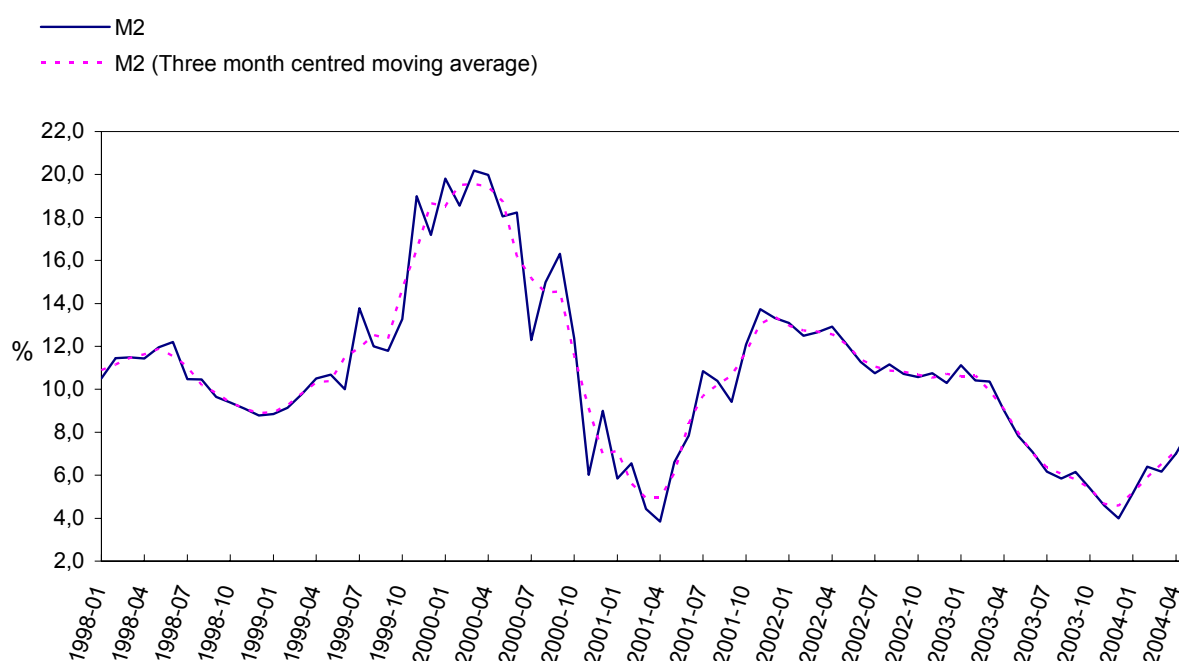
The growth rate of total money supply (M2) accelerated in May compared with the previous month, while credit expansion remained broadly unchanged. A notable development in May and June were the substantial capital inflows that took place after the increase in official interest rates on 30 April and the stabilisation of the

domestic political environment. Concurrently, bank liquidity was balanced in May and somewhat increased in June. Consequently, the Central Bank did not conduct any auctions for the acceptance of deposits in the period under review.

Graph 4

M2 growth

(annual percentage changes, monthly data)



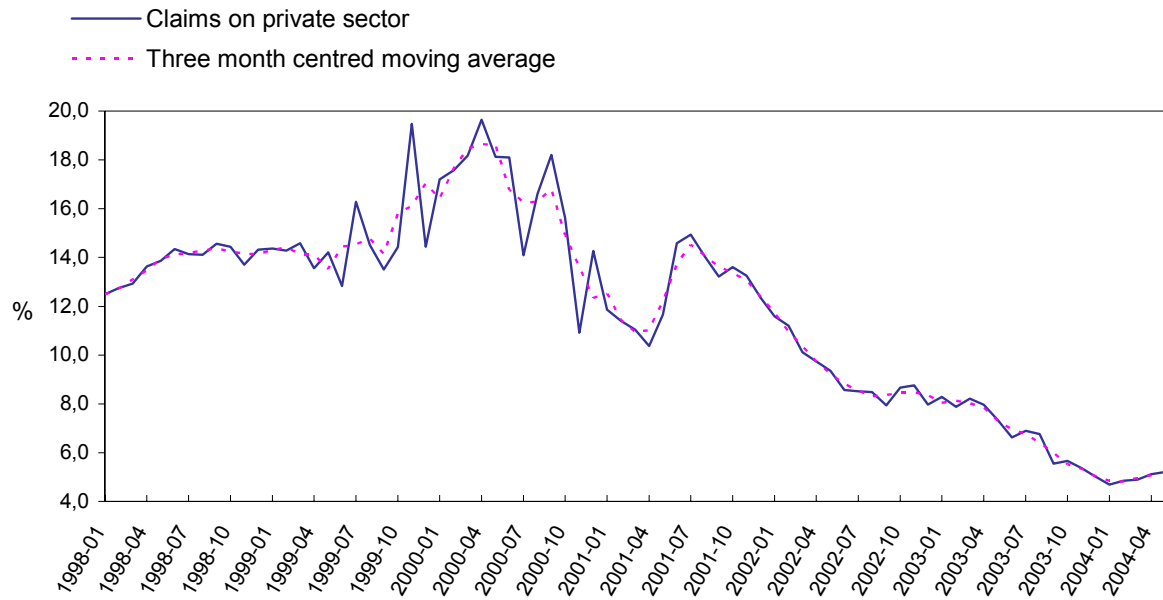
Graph 5**Growth of claims on private sector***(annual percentage changes, monthly data)*

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

	2000	2001	2002	2003	2003 May	2004 Apr.	2004 May
Money supply (M1)	-3,8	1,1	2,6	32,5	12,8	30,3	33,3
Total money supply (M2)	9,0	13,3	10,3	4,0	7,8	7,0	8,2
Claims on private sector	14,3	12,3	8,0	5,0	7,3	5,1	5,2

The annual growth rate of total money supply (M2) accelerated in May, reaching 8,2%, compared with 7% in April and 7,8% in May 2003. This is also reflected by the three month moving average, according to which M2 grew by 7,1% in the period from March to May 2004, up from 6,5% in the period from February to April.

According to provisional data, the monetary aggregate M2C which includes co-operative credit institutions¹, grew by 9,1% in May, compared with 8,3% in April.

The growth rate of credit to the private sector was 5,2% in May, broadly unchanged from the previous month, while in May 2003 the growth rate was 7,3% (table 5). According to the three month moving average, credit expansion grew

by 5,1% in the period from March to May, virtually unchanged from 5% registered during the months February to April. According to provisional weekly data for credit to the private sector, in the period from 1 January to 18 June 2004 new credit amounted to £188,2 million, equivalent to annual growth of 5,4%. The increase in new credit which we predict will to continue in June as well, in combination with the increase in credit given by the co-operative credit institutions may be due to the recovery in the economy.

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

Table 6 presents the factors affecting M2, in absolute terms. As shown, the level of bank credit granted to the private sector in the period January to May exceeds the corresponding level of the previous year. In the same period there was significantly increased credit to the public sector. More specifically and in absolute numbers, net bank credit to the private sector given in the first five months of 2004, rose to £161,4 million, compared with £139 million during the same period of the previous year. Credit to the public sector reached £220,8 million, compared with an increase of £119,0 million recorded in the same corresponding period of 2003.

In parallel, net foreign assets decreased by a lesser extent, compared with the fall they exhibited during the first five months of the previous year. More specifically, net foreign assets decreased by £50,6 million, compared with a fall of £266,2 million in the corresponding period of 2003.

Contrary to the above, the unclassified items fell by £75,5 million, compared with a drop of £69,4 million in the first five months of 2003.

As regards the components of M2, during the first five months of the year, the narrow aggregate M1 rose by £5,4 million while quasi-money increased by £250,8 million. The development in quasi-money is attributed to the large increase in time deposits observed during the period under review. More specifically, in the first three months the most notable increase was registered in time deposits in Cyprus pounds. In April, however, due to the political uncertainty and rumours of an imminent devaluation of the pound, there was a transfer of funds from local currency time deposits to foreign currency time deposits. This continued to some extent throughout May. In particular, there was an increase in deposits in local currency compared with a reduction in the previous month. Parallel to that, there was a slowdown in the growth rate of deposits in foreign currency.

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

	May 2004	Jan. - May		Apr. 2003/2004	May 2003/2004
		2003	2004		
Foreign assets (net)	45.665	-266.156	-50.569	507.107	567.781
Claims on private sector	1.144	139.008	161.420	411.975	419.001
Claims on public sector	49.523	118.997	220.798	248.268	270.163
Unclassified items	-22.478	-69.387	-75.471	-599.098	-596.961
Total money supply (M2)	73.854	-77.538	256.178	568.252	659.984
Money supply (M1)	34.517	-2.617	5.394	313.248	345.225
Currency in circulation	11.075	7.063	2.273	65.123	69.603
Demand deposits	23.442	-9.680	3.121	248.125	275.622
Quasi-money	39.337	-74.921	250.784	255.004	314.759

The analysis of bank credit by sector of economic activity (table 7) shows that during the period from January to May personal and professional loans, construction and trade, absorbed the largest part of new credit. During the same period of the previous year the dominant sectors were those of construction and trade, each absorbing about 38% of new credit. In absolute figures, personal and professional loans increased by £116 million in the period from January to May, compared with a decrease of £15,4 million in the same period of 2003. New credit in the construction sector amounted to

£74,2 million in the period under review, compared with £62 million in the same period of 2003. New credit in domestic and foreign trade amounted to £8,8 million, compared with £61,2 million in the same period of last year².

In the tourism sector, there was a small increase of £2,9 million, compared with £42,2 million in the first five months of 2003. New credit to public institutions and corporations (including the government) increased by £6,5 million, compared with a rise of £21,1 million last year.

² A large part of the reduction in this specific sector is due to corrections a bank data.

Table 7
Bank credit by sector

	January - May			
	2003		2004	
	change CYP' 000	share %	change CYP' 000	share %
Public institutions and corporations ¹	21.107	13,0	6.451	3,4
Agriculture	0	0,0	1.747	0,9
Mining	574	0,4	-2.717	-1,4
Manufacture	-7.621	-4,7	-12.399	-6,6
Transport and communication	-7.363	-4,5	-5.575	-2,9
Foreign and domestic trade	61.236	37,6	8.772	4,6
Building and construction	61.980	38,1	74.224	39,3
Tourism	42.187	25,9	2.917	1,5
Personal and professional loans	-15.405	-9,5	115.958	61,4
Bills discounted: Local	656	0,4	-115	-0,1
Foreign	5.474	3,4	-273	-0,1
Total	162.825	100,0	188.990	100,0

1) Including Government loans

In May, foreign currency loans to residents of Cyprus increased by £16,2 million. In April, there was a decrease of £9,2 million and in March an increase of £10,7 million. The proportion of foreign currency credit to total credit was virtually unchanged at 9,8% in May, while in the same month of the previous year it was 10,5% (table 8)³.

For the period from 1 January to 18 June 2004, provisional data indicate an increase in foreign currency loans to residents⁴ by approximately £45,6 million.

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

⁴ According to balance of payments statistics, loans from banks abroad to Cypriot residents in April 2004 were short of repayments by £1,8 million. Long-term loans from international banking units registered net repayments of £2,1 million by the end of April 2004.

Table 8**Claims on private sector ⁽¹⁾***(change, CYP million)*

	2004 Mar.	2004 Apr.	2004 May
Foreign currency loans to residents	10,7	-9,2	16,2
Claims on private sector	108,4	13,3	1,1

(end of period balances, CYP million)

	2001	2002	2003	2003 May	2004 Apr.	2004 May
Foreign currency loans to residents	733,0	785,2	799,0	845,3	815,1	831,2
Claims on private sector	7320,1	7904,1	8300,7	8043,1	8461,0	8462,1
Share %	10,0	9,9	9,6	10,5	9,6	9,8

1) From local banks.

Data on foreign currency lending to Cypriots show that at the end of May 2004 the proportion of loans in euros to total loans in foreign currency stood at 67,9%. The proportions of loans in dollars, yen and Swiss francs were 12%, 6,3% and 12%, respectively. According to data on medium and long-term foreign currency loans, in the period from January to April 2004 about 2,8% of these were used in the construction sector in Cyprus, 81,8% for refinancing⁵ and 5,7% for the acquisition of fixed assets.

Domestic expenditure of Cypriots by using credit cards rose at an annual rate of 9,7% in May as compared with 11,2% in May 2003. In April, the respective figures were 12% for 2004 and 17,5% for 2003.

Spending by Cypriots abroad through the use of credit cards increased by 2,4% in May, compared with an increase of 20,2% in the previous year. In April, the corresponding figures were 5,7% for 2004 and 13,6% for 2003. Finally, foreign credit card holders spent in Cyprus 5,2% more in May, compared with the same month last year. The respective change for 2003 was an increase of 2%. In April, 2004 foreign cardholder spending rose by 25,8% and in April 2003 it had fallen by 9,4%.

⁵ Refinancing refers to the repayment of existing loans in Cyprus pounds or the conversion of existing foreign currency loans into a different currency.

Money market

In the money market, bank liquidity was overall balanced in May while there was some surplus liquidity in June.

Table 9 illustrates the factors affecting bank liquidity. As can be seen from the table, the decrease in the average daily value of net foreign assets from £1.121 million in April to £1.038,5 million in May contributed to the decrease of excess liquidity. In parallel, since 1 May banks have been obliged to maintain minimum reserve balances at the Central Bank of Cyprus amounting to 2% of their foreign currency deposits. The new directive resulted in a reduction in the amounts of the overnight deposit facility. Additionally, there was no need for the Central Bank to intervene in the market. Finally, the total minimum reserve balance reached £640,6 million in May, up from £555,2 million in April. The decrease in government deposits at the Central Bank contributed to an increase in liquidity in the banking system. The net effect of the above factors resulted in a reduction in bank liquidity in May compared with April.

The average value of government deposits fell to £545,3 million in May from £594,9 million in April⁶. In May there were net repayments of government securities amounting to £8,9 million while in April net repayments amounted to £66,5 million.

There were no auctions held in May for the acceptance of deposits because of the prevailing balanced liquidity conditions. In April two auctions were held at which a total of £200 million were absorbed at an average interest rate of 3,3%.

As shown in table 10, the overnight average inter-bank interest rate rose in May to 4,73%, compared with 3,25% in the previous month because of the increase in official interest rates. As regards government securities, in April auctions were held for all securities except 10 and 15 year bonds. Yields increased because the government accepted bids at a higher price. More specifically, in April the average interest rate of two year bonds reached 5,01%, compared with 4,79% in the previous month. The average yield of five year bonds reached 5,5%, compared with 5,1% in February that was the last month in which auctions were held in this particular security.

In May, no auctions were held for most government securities. In June auctions were held for all government securities. The yields on those increased, reflecting the increase in official rates.

The ratio of value of securities sold to the total value announced was 9,7% in April while in June it reached 56,7%. The ratio of value of securities sold to the total value of bids was 100% in April, compared with 58% in June.

⁶ Table 9 shows the value of net government deposits, that is deposits minus the long-term loan of £961,1 million.

Liquidity conditions and monetary policy operations from 18 March - 21 June 2004

This Box reviews the Central Bank of Cyprus (CBC) liquidity management from 18 March to 21 June 2004. Figure 1 summarises the liquidity absorption and provision through the 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 a decrease in the liquidity position of the banking system. In particular, an increase in the currency in circulation, which was primarily observed during the Easter holiday period, resulted in a decrease in liquidity of £46,4 million. In addition, net foreign assets, and in particular net outflows from the purchase / sale of foreign exchange by the CBC from / to the domestic banks (fixing), contributed to a decrease in liquidity of £32,2 million. In contrast, government deposits and in particular matured issues of government securities, which exceeded the demand for new issues, injected liquidity in the banking system amounting to £31,9 million. Net transactions between the government and the counterparties added liquidity of £2,1 million.

The introduction of the maintenance of minimum reserve holdings at the CBC as a percentage of the counterparties' foreign currency deposits since 1 May 2004, has contributed significantly to the formation of balanced liquidity conditions.

Monetary policy operations and interest rates

During the period under review, the CBC settled three main refinancing operations (MROs) for the absorption of liquidity through auctions for the acceptance of deposits. The CBC also announced the conduct of an auction on 29 September 2004 during which no bids were submitted by the counterparties. Since then, and until the end of the period under examination, no other auction took place due to the aforementioned balanced liquidity conditions.

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
MRO	18/03/2004	02/04/2004	165,0	100,0	1,65	3,37	15
MRO	02/04/2004	15/04/2004	164,0	100,0	1,64	3,31	13
MRO	15/04/2004	29/04/2004	152,0	100,0	1,52	3,29	14

Source: Central Bank of Cyprus

The MROs were carried out as variable rate tenders with a maximum bid rate of 3,50%. Liquidity amounting to £100,0 million was absorbed at each auction, whereas the weighted average allotment rate remained within a range of 3,29% to 3,37%. The ratio of the amount bid to the volume allotted varied between 1,52 and 1,65 with an average of 1,60, while the number of participating counterparties was 5 or 6.

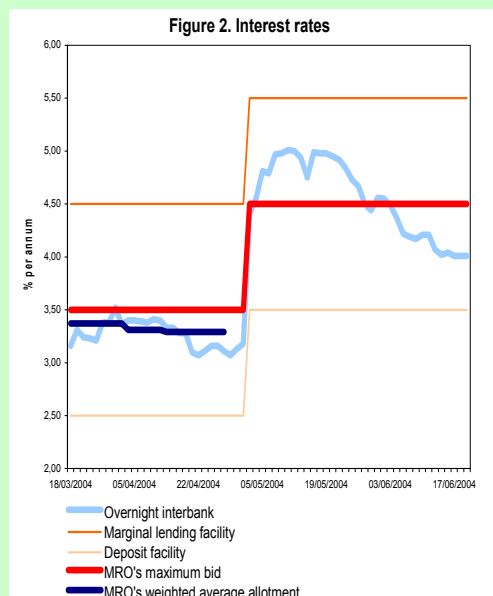
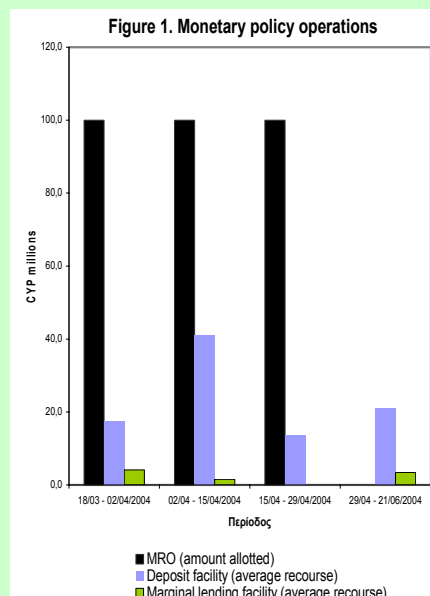
Standing facilities

(average recourse in CYP millions)

MRO period	Deposit facility	Marginal lending facility
18/03 - 02/04/2004	17,3	4,1
02/04 - 15/04/2004	41,0	1,5
15/04 - 29/04/2004	13,6	0,0
Period		
29/04 - 21/06/2004	21,0	3,4

Source: Central Bank of Cyprus

In view of the aforementioned liquidity conditions that prevailed in the reviewed period, significant recourse to the overnight deposit facility was recorded, with the respective period average recourse during the MRO periods ranging between £13,6 million and £41,0 million. This is in contrast to the very limited recourse to the marginal lending facility with the respective period average recourse ranging between zero and £4,1 million. For the rest of the period under review the average recourse to the overnight deposit facility was £21,0 million, whereas recourse to the marginal lending facility was £3,4 million.



Overnight interbank interest rate

(percentages per annum)

MRO period	Minimum rate	Maximum rate	Average rate
18/03 - 02/04/2004	3,16	3,52	3,31
02/04 - 15/04/2004	3,38	3,41	3,40
15/04 - 29/04/2004	3,07	3,33	3,19
Period			
29/04 - 21/06/2004	3,07	5,01	4,44

Source: Central Bank of Cyprus

During the MROs period under review, the overnight interbank interest rate ranged between 3,07% and 3,52%. During the same period the average rate stood at around 3,28%, indicating that market participants were perceiving the liquidity conditions as ample. For the rest of the period under review the interbank interest rate ranged between 3,07% and 5,01% and the average rate was 4,44%. The observed broad fluctuation is mainly due to the increase in the official interest rates by 100 basis points, following the Monetary Policy Committee decision on 30 April 2004.

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								Currency in circulation	Central Govern. deposits (net) ⁽¹⁾	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)	Deposit facility (overnight)	Other liquidity-absorbing operations (additional & special & S.M.E. dep.)	Rev-repos & depos						
	1	2	3	4	5	6	7	8	9	10	11	12	13	
2002 June	1.576,3	0,0	0,0	0,6	0,0	26,0	79,4	366,9	403,1	-16,3	221,6	496,3	1.004,7	
July	1.403,2	0,0	0,0	1,5	0,0	41,5	79,4	405,2	413,5	-212,0	179,6	497,5	1.031,9	
Aug.	1.465,0	0,0	0,0	1,9	0,0	21,9	79,5	427,1	422,7	-166,4	176,7	505,4	1.029,5	
Sep.	1.450,9	0,0	0,0	8,6	0,0	2,2	79,3	392,3	413,0	-127,4	190,7	509,3	1.003,9	
Oct.	1.461,3	0,0	0,0	0,3	0,0	10,5	79,4	332,6	413,3	-98,8	213,4	511,2	1.014,4	
Nov.	1.446,9	0,0	0,0	0,6	0,0	4,7	79,5	385,3	399,9	-135,9	201,8	512,1	996,2	
Dec.	1.371,4	0,0	0,0	0,0	0,0	36,2	79,3	412,0	425,4	-330,1	231,9	516,6	1.057,6	
2003 Jan.	1.340,4	0,0	0,0	3,5	0,0	29,3	79,3	438,9	413,6	-315,3	172,7	525,3	1.047,6	
Feb.	1.280,1	0,0	0,0	0,4	0,0	32,4	79,3	325,0	402,2	-276,0	181,8	535,8	1.049,7	
Mar.	1.210,2	0,0	0,0	10,3	0,0	11,1	79,4	308,5	404,4	-309,5	188,5	538,1	1.032,9	
Apr.	1.141,6	0,0	0,0	0,2	0,0	14,7	79,4	210,4	422,4	-328,7	208,4	535,0	1.051,6	
May	1.112,4	0,0	0,0	3,2	0,0	13,4	79,4	152,3	438,8	-315,7	214,8	532,6	1.064,2	
June	1.095,7	0,0	0,0	1,6	0,0	9,9	79,3	136,7	447,1	-309,5	204,0	529,8	1.066,1	
July	1.075,1	0,0	0,0	0,0	0,0	27,6	79,3	117,7	462,2	-332,7	193,2	527,8	1.096,9	
Aug.	1.104,4	0,0	0,0	0,0	0,0	24,0	79,3	146,8	471,3	-343,6	196,6	530,0	1.104,6	
Sep.	1.144,1	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	

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***(percentages per annum, period averages)*

	2001	2002	2003	2003 May	2004 Mar.	2004 Apr.	2004 May
Interbank (1day)	4,93	3,42	3,35	3,56	3,21	3,25	4,73
Repos	6,39						
Reverse repos/depos	4,59	3,91	3,45	3,45	3,44	3,30	
Treasury bills (13 weeks)	6,00	4,02	3,51		3,70	3,96	
Treasury bills (52 weeks)	6,35	4,30	3,70		4,30	4,43	
Development stocks (2 years)	6,11	4,56	3,83	3,69	4,79	5,01	
Development stocks (5 years)	6,96	5,07	4,49	4,37		5,50	
Development stocks (10 years)	7,66	5,37	4,70				
Development stocks (15 years)	6,47	5,60	4,81				

Table 11 gives a comparison of domestic long-term interest rates and EU rates. According to the latest data which refer to April, domestic long-term real interest rates, though increased, remained below the corresponding rates in the EU because of the fall in domestic inflation. The latest 12-month average of long-term nominal interest rates in Cyprus was 4,75%. The interest rate differential was 21 basis points.

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

	Inflation (HICP)	Long-term interest rates	Long-term real interest rates
Belgium	1,40	4,18	2,78
Denmark	1,30	4,29	2,99
Germany	1,10	4,07	2,97
Greece	3,20	4,26	1,06
Spain	2,70	4,13	1,43
France	2,10	4,13	2,03
Ireland	3,00	4,13	1,13
Italy	2,60	4,26	1,66
Luxembourg	2,20	3,08	0,88
Netherlands	1,80	4,12	2,32
Austria	1,20	4,18	2,98
Portugal	2,70	4,19	1,49
Finland	0,80	4,11	3,31
Sweden	1,60	4,61	3,01
United Kingdom	1,30	4,74	3,44
Euro zone	1,90	4,16	2,26
EU -15	1,80	4,26	2,46
Cyprus	2,50	4,75	2,25

International and Domestic

Official Interest Rates

The ECB, at its latest meeting, maintained its official interest rates unchanged. Contrary to this, the Federal Reserve Bank and the Bank of England increased their rates by 25 basis points. At its meeting on 4 June the Central Bank of Cyprus maintained a cautionary stance.

Consequently, the official interest rates differential between Cyprus and the euro zone was maintained 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		
<i>(1 July 2004)</i>		
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		
<i>(10 June 2004)</i>		
Repo Rate	4,50	+0,25
Federal Reserve System		
<i>(30 June 2004)</i>		
Federal Funds Rate	1,25	+0,25
Discount Rate	2,25	+0,25
Central Bank of Cyprus		
<i>(4 June 2004)</i>		
Minimum bid rate on the main refinancing operations	4,50	-
Interest rate on the marginal lending facility	5,50	-
Interest rate on the deposit facility	3,50	-

Cyprus Stock Exchange (CSE)

During May, the CSE General Price Index exhibited a downward trend (chart 6). More specifically, the CSE index fluctuated between 79,4 and 83,8 points. The average daily traded volume fell to £0,4 million, down from April's £0,7 million. The average daily number of transactions also decreased to 503 in May from 636 in April.

Nearly all sector indices declined during the period under review with the exception of the construction companies index that exhibited a slight rise. The largest volume of traded shares were those of the Bank of Cyprus and Laiki Bank, with 33,1% and 13,5%, respectively, of the total.

Graph 6

Cyprus Stock Exchange (CSE) General Index

April - May 2004

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

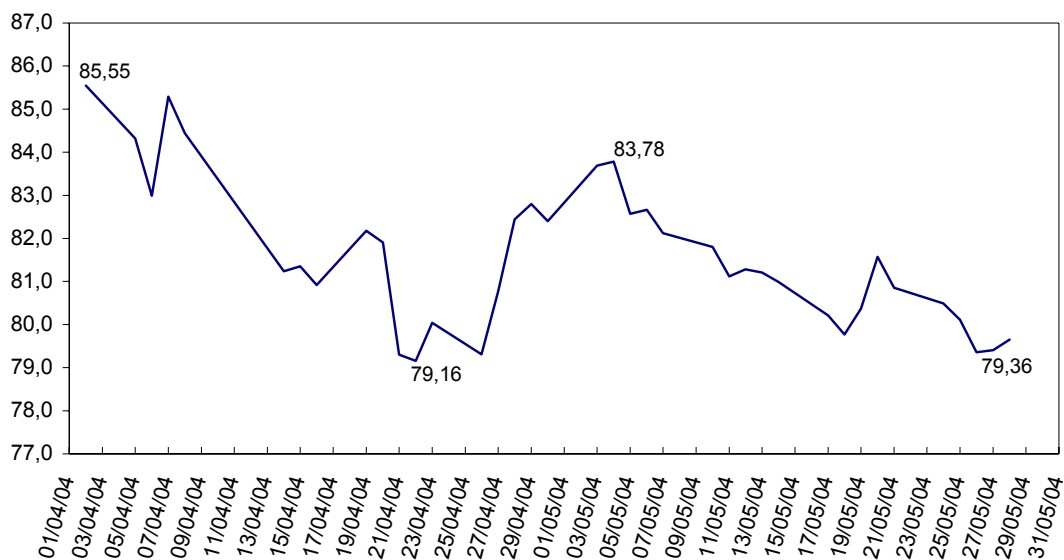


Table 13 shows that there were increased capital inflows to the CSE during May, compared with net outflows in April. More specifically, purchases of listed shares by non-residents

reached £0,6 million, while sales reached £0,09 million, compared with £0,8 million and £1 million, respectively, in the previous month.

Table 13

Investments by non-residents on the Cyprus Stock Exchange

(CYP thousand)

	2002 ¹	2003	2004				
	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Purchases	50	495	2.235	1.295	361	809	613
Sales	0	358	572	327	240	1.017	99
Net investments	50	137	1.663	968	121	-208	514

Source: Cyprus Stock Exchange

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

2.3 INFLATION

Inflation increased by 1,49% in May compared with an increase of 0,48% in the previous month and 5,11% in May 2003. As table 15 indicates, the rise in the inflation rate in May, compared with the previous month, stemmed mainly from the large increase in the prices of fuel and gas, and the acceleration displayed by the prices of domestic agricultural products, of industrial non-oil products and of services. In contrast, the prices of electricity and motor vehicles declined.

Taking a more detailed look at domestic goods, in May 2004, a significant acceleration was registered by the prices of fuel and gas, which increased by 9,98% compared with an increase of 0,91% in January 2004. Fuel prices registered this increase due to the rise in the international price of crude oil. However, the price of electricity fell by 8,69%, compared with an increase of 11,86% in the previous month due to the oil stocks held from previous months by Cyprus Electricity Authority.

Prices of imported goods declined further by 6,60% in May 2004, after a 6,19% reduction in April 2004. In particular, the prices of motor vehicles fell by 18%. This fall reflects the reduction in excise taxes on various types of vehicles at the end of November 2003. The prices of other imported goods also registered a further reduction.

The prices of services increased by 3,42% in May 2004, compared with an increase of 3,07% in April 2004 and 4,13% in May 2003. This acceleration in the prices of services is mainly attributed to the acceleration in the prices in the sectors of health, restaurants and hotels and other goods and services.

As a result of the aforementioned developments, inflation reached 1,20% in the same period of 2003. The decrease was mainly due to the dampening of the impact of VAT increase that took place in July 2002 and January 2003. The further reduction in car prices also reduced inflation.

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, inflation is expected to decelerate to around 2% in 2004.

The projection is based on the framework of price analysis by economic origin, as presented above, and a set of technical assumptions. Specifically, it is assumed that oil prices will register a small decrease in 2004, from their current high level, and that agricultural product prices will register an average increase of 2%, a rate which is lower than the average of the previous two years, mainly due to the increase competition in the agricultural sector as a result of the Cyprus accession into the E.U.

Table 14**Consumer price index by economic origin***(annual percentage change)*

		2002	2003	May 2003/2002	April 2004/2003	May 2004/2003
	All items	2,81	4,14	5,11	0,48	1,49
A	Domestic goods	4,35	7,30	10,78	0,97	3,35
A.1	Agricultural	1,79	4,54	10,38	0,37	1,50
A.2	Industrial	5,62	7,90	10,45	2,08	4,73
A.2.1	Industrial, non-oil	4,55	6,46	7,73	2,89	3,43
A.2.2	Fuel and gas	10,57	14,16	22,94	-0,91	9,98
A.3	Electricity	-2,26	10,20	17,55	-11,86	-8,69
B	Imported goods	-1,69	-2,38	-3,29	-6,19	-6,60
B.1	Motor vehicles	-5,07	-8,31	-11,16	-15,06	-15,18
B.2	Other imported goods	0,85	1,81	2,55	-0,50	-1,07
C	Services	3,67	4,38	4,13	3,07	3,42

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

For comparison purposes, table 16 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 ¹
Cyprus	1,5	May	2,0 ²
Euro area	2,5	May	1,8
U.S.A.	3,1	May	2,3
G.Britain	1,5	May	1,5
Germany	2,0	May	1,4
Italy	2,3	May	2,2
Denmark	1,3	May	1,4
France	2,6	May	2,0
Austria	2,1	May	1,5
Belgium	2,6	May	1,5
Spain	3,4	May	2,6
Sweden	0,7	May	0,8
Switzerland	0,9	May	0,4
Japan	-0,4	Apr.	-0,1
Canada	2,5	May	1,6

*(1) Source: The Economist (25/ 06/ 04)**(2) Source: Central Bank of Cyprus*

2.4 DOMESTIC ECONOMY

On the basis of the economic data available so far, it can be safely construed the Cyprus economy exhibits recovery signs. In the first quarter of 2004, real GDP growth reach 3,4%, compared with 2,1% in the corresponding quarter of 2003. Tourist arrivals exhibited a rebound during the first five months of the year. In the labour market, unemployment in the first five months of the year reached 3,9% of the economically alive population compared to 3,6% respectively in the corresponding period of 2003.

Production

As regards the services sector, and in particular tourism, tourist arrivals registered an increase of 10,5% in the first five months of 2004, compared with a decrease of 12,9% in the same period of 2003. At the same time, receipts from tourism fell by 0,4% in the first five months of 2004, compared with a reduction of 13,2% in the same period of 2003.

In the secondary sector, the picture is positive. On the one hand, construction continued its positive path, with some deceleration signs however, as regards building permits and on the other hand, manufacturing showed upturn in the three months of the year.

More specifically, the volume index of building permits authorised, which indicates prospects for the construction sector in the following few months, increased by 3,5% in February 2004, compared with an increase of 48,5% in the same month of 2003. For the first two months of 2004 the volume and value index of building permits authorised registered an increase of 7,3% and 1,1%, respectively compared with an increase of 32,2% and 31,4% in the same period of 2003.

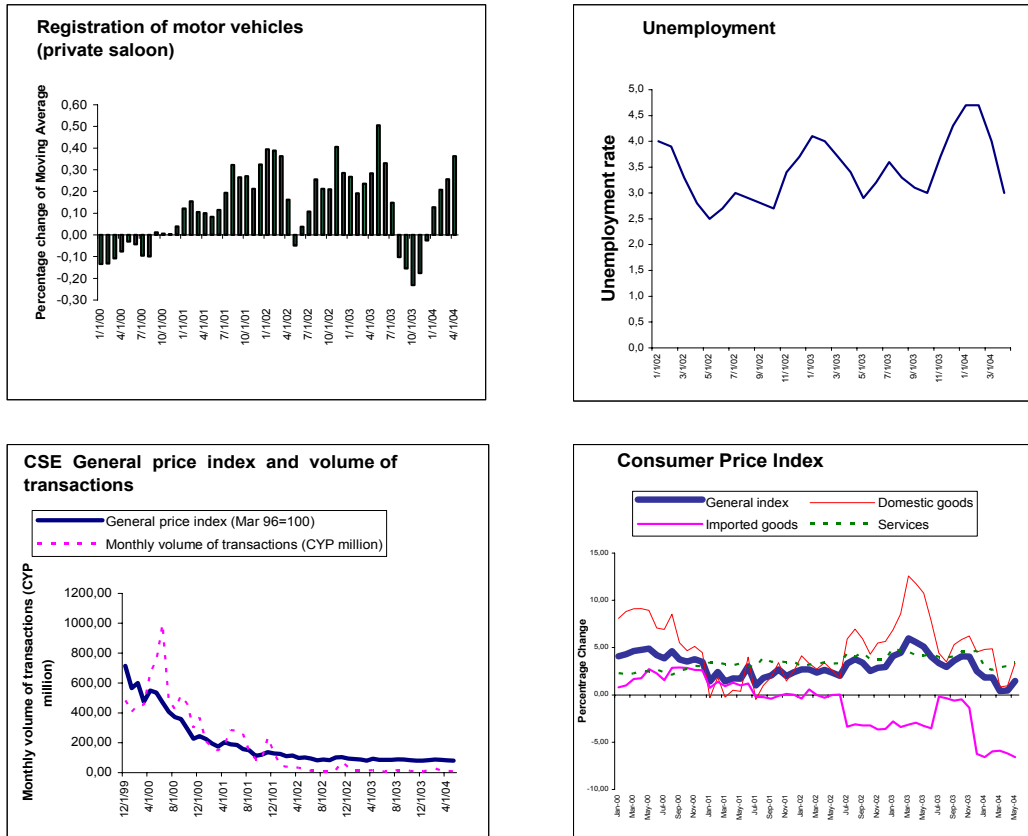
Local sales of cement increased by 16,4% in April 2004, compared with decrease of 3,9% in April 2003. For the first four months of 2004 the sales of cement increased by 18,8% compared with an increase of 2% in the same period of previous year.

Manufacturing presented a positive picture since the volume index of manufacturing production rose by 7,8% in March 2004 compared with an increase of 8,1% in the same month of 2003. For the first three months of 2004, the volume index of manufacturing production grew by 3,8%, compared with 11,7% the corresponding period of 2003 (table 16).

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

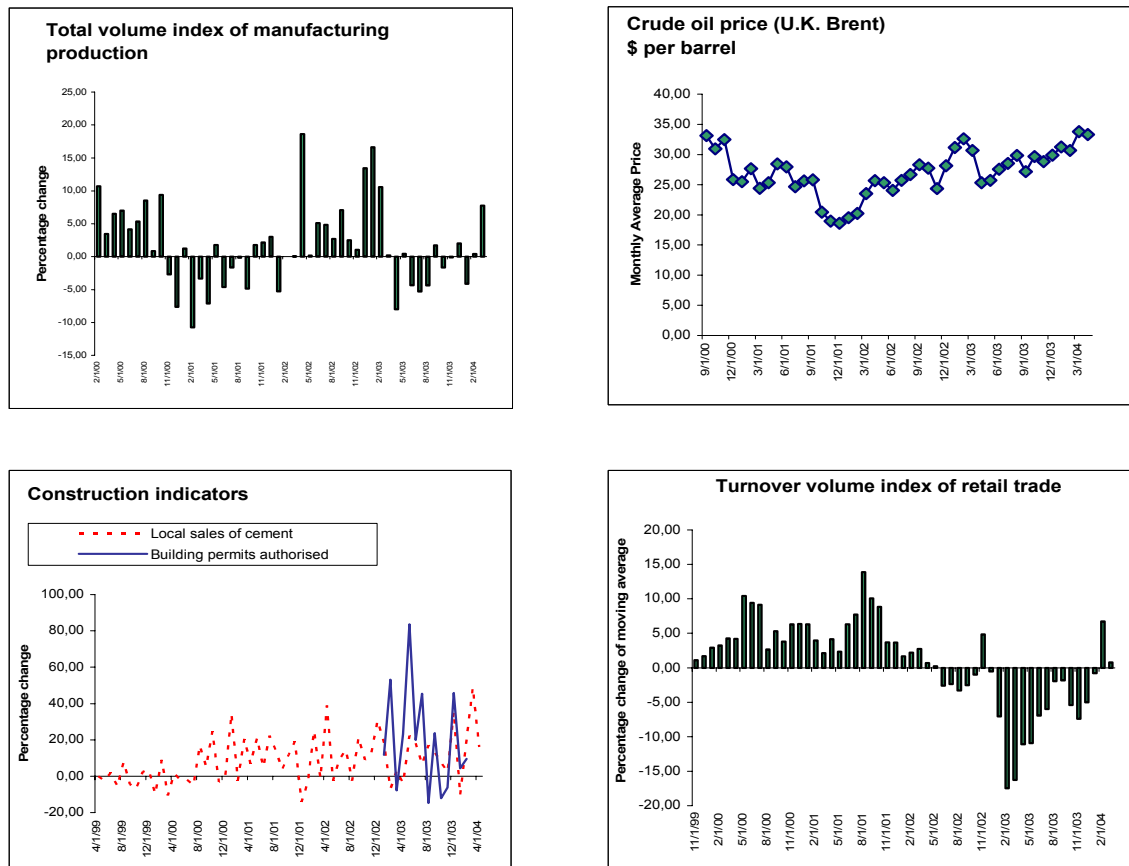
	Mar. 03/02	Mar. 04/03	Jan.-Mar. 03/02	Jan.-Mar. 04/03
General index	8,1	7,8	11,7	1,4
Food products, beverages & tobacco	-0,4	11,6	0,6	1,9
Textiles & textile products	18,2	-18,1	27,5	-4,6
Leather and leather products	-45,3	-3,1	-24,9	-36,4
Wood & wood products	-8,8	13,5	-2,6	9,6
Paper, paper products, publishing & printing	1,9	4,9	-0,2	1,4
Refined petroleum products	-6,9	-26,1	-26,7	-4,1
Chemicals, chemical products and man-made fibres	-10,4	10,3	-5,3	4,3
Rubber and plastic products	-7,6	18,3	3,4	2,8
Other non-metallic mineral products	11,9	16,4	12,8	4,3
Basic metals & fabricated metal products	-0,7	11,1	-2,9	2,3
Machinery and equipment n.e.c.	-18,7	-3,1	-1,8	-0,2
Electrical & optical equipment	-20,9	0,0	-11,9	-4,3
Transport equipment	-20,9	0,0	-11,9	-4,3
Manufacturing n.e.c.	10,6	2,2	25,7	-1,0

Graph 7



Consumption

The new turnover index of retail sales (from which motor vehicles and petroleum products are excluded) registered a rise of 9,4% in March 2004, while for the first quarter of 2004, the index increased by 6,8%.

Graph 8

Private saloon car registrations, which provide another important indicator of consumer behaviour, exhibited sizeable increases during the last few months. Following the reduction in excise taxes last November, the sales of cars increased significantly. More specifically, in May 2004, car registrations increased by 26,8% compared with 21,7% the same month of 2003. For the first five months of 2004, car

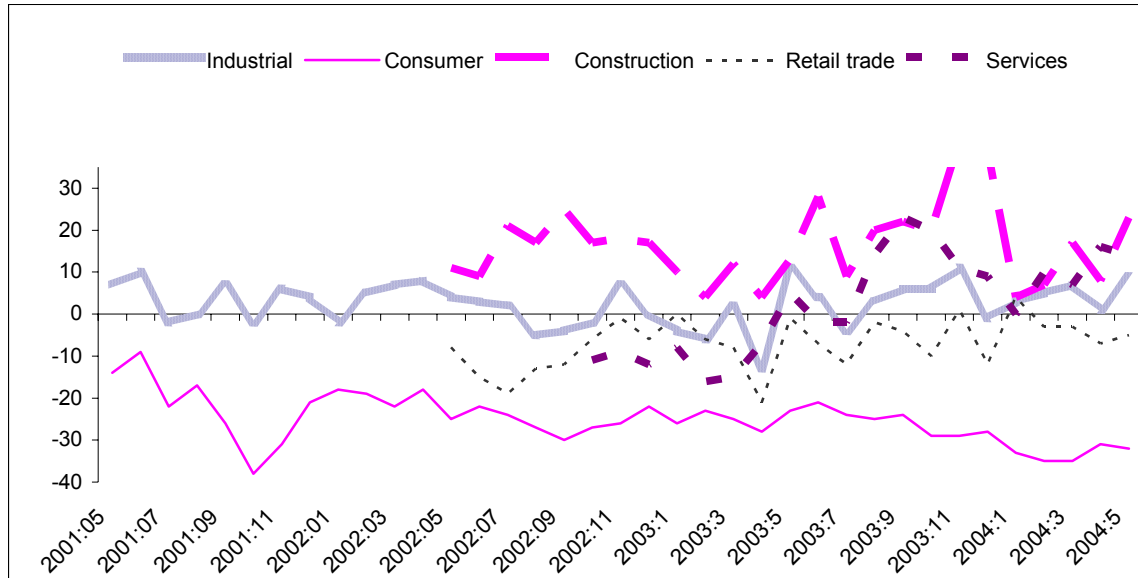
registrations increased by 32,5% compare with 32,7% the same period of the previous year. Finally, non-oil imports for home consumption (excluding imports of military equipment) increased by 2,8% in January, 2004, compared with a decrease of 10,7% the same month of the previous year.

Confidence Indicators

Chart 9 tracks the movement of confidence indicators for the Cypriot economy since May 2001, when the European Commission first started publishing them⁷. 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 2003, which is consistent with the positive performance of the construction sector as portrayed by the volume and value indices of building permits and by cement sales. The construction confidence indicator registered in average a positive path during the first five month of 2004 as well.

The fluctuations observed in the services confidence indicator up until May 2004, reflect the uncertainty of the services sector – primarily tourism. The consumer confidence indicator followed a negative course until May 2004, something which is not compatible with the accelerators in economic activity. The retail sales confidence indicator followed a negative path during 2003 and the first five months of 2004, with the exception of January. However, in February 2004 this increase was reversed. Finally, the industrial confidence indicator registered fluctuations in 2003, while in the first five months of 2004 it registered, on average, a positive movement.

⁷The European Commission publishes monthly confidence indicators for consumers, industry, construction and retail trade in the European Union member states and in the accession countries. The released data refer to the end of each month and are based on surveys conducted by the national statistical institutes and harmonised by the European Commission.

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

Source: European Committee

Labour market

According to the latest available data for the labour market, the number of unemployed decreased by 3,4% in May 2004, while the unemployment rate, as a percentage of the economically active population, fluctuated around 2,8% compared with 2,9% in the corresponding month of the previous year. The fall in the number of unemployed persons was mainly observed in the sector of restaurants and hotels. For the first five months of 2004, the number of registered unemployed increased by 7,0% compared with an increase of 11,0% in the same period of 2003, and the unemployment rate rose to 3,9% from 3,6% in the first five months of 2003.

Public finances

In accordance with the preliminary data of the Central Government consolidated Accounts issued by the Ministry of Finance covering the period from 1 January until 31 March, 2004, the fiscal deficit reached £49m compared with £72,2m in the corresponding 2003 period. More specifically, public revenue increased by 2,9% compared with an increase of 16,3% during the corresponding 2003 period, while a reduction of 1,3% was registered in public expenditure, in contrast with a 21,9% registered in the respective 2003 period. This led to the noted reduction in the fiscal deficit for the period

January – March, 2004. As regards the whole of 2004 and in accordance with the preliminary data of the Ministry of Finance, the general government fiscal deficit is estimated at 5,2% of GDP.

According to the officially registered fiscal results, Cyprus does not satisfy the nominal convergence criteria as stipulated by the Maastricht Treaty according to which, the fiscal deficit must not exceed 3% of GDP and public debt must not exceed 60% of GDP. As a result, May 1st 2004 (concurrently with Cyprus complete accession to the European Union) marked the initiation of the Excessive Deficit Procedure within the context of established procedures of the European Council, the Economic and Financial Committee (EFC) as well as ECOFIN.

Given the target of expediting Cyprus's participation in ERM II and ensuring that it stays at least two years prior to the planned adoption of the euro on 1st January, 2007, it becomes even more important to achieve real and nominal convergence in accordance with the stipulated Maastricht criteria, and more specifically to reverse the soonest possible, the existing fiscal imbalances.

Overall assessment of the domestic economy in 2003

The Cyprus economy stabilized in 2003 with real GDP growth around 2%, the same as last year. The main factors that affected growth were the good performance of the construction, telecommunications, property management and electricity sectors. It is worth noting that the growth rates registered in Cyprus for 2003,

although subdued, are higher than in most European Union member states. In the first quarter of 2004, real GDP growth reached 3,4%, compared with 2,1% the same quarter of 2003, and reflects the good performance exhibited by almost the sectors of the economy.

Table 17
Public finances summary

	Jan.- Mar. 2003	Jan.- Mar. 2004	Jan.-Mar. 03/02	Jan.-Mar. 04/03
	million		(% change)	
Total revenue and grants	525,0	540,7	16,3	3,0
Direct taxes	115,7	128,3	-24,7	11,0
Income tax	63,0	68,1	-44,3	8,1
Indirect taxes	232,0	270,5	27,5	16,6
Value added tax	117,0	161,0	31,3	37,6
Excise taxes	68,0	67,9	55,2	-0,2
Import duty	10,5	14,1	-29,3	33,5
Social security funds contributions	80,4	87,1	-1,7	8,4
Other non-tax revenue	96,1	52,8	186,2	-45,1
Other revenues	0,4	0,0	141,6	-100,0
Foreign grants	0,5	2,0	100,8	281,5
Total expenditure and net lending	597,2	589,6	21,9	-1,3
Current expenditure	558,8	573,0	20,6	2,5
Goods and services	48,7	40,5	41,9	-16,9
Wages and salaries	155,6	177,4	18,2	14,0
Pensions and gratuities	34,7	38,8	10,3	11,9
Social pensions	6,4	11,4	1,4	79,8
Other current transfers	70,2	90,1	14,7	28,4
Social security funds payments	68,6	92,8	9,2	35,3
Subsidies	31,8	12,9	157,9	-59,5
Interest	105,2	99,9	28,8	-5,0
Capital expenditure	38,5	16,6	44,8	-56,8
Investment	29,9	16,6	50,9	-44,4
Capital transfers	8,6	0,0	27,0	-100,0
Net lending	0,0	0,0		
Fiscal surplus (+)/deficit(-)	-72,2	-48,9	87,2	-32,3

2.5 EXTERNAL TRANSACTIONS

Goods

An overview of the trade balance for the first four months of 2004 is given in table 18. The data is provisional.

Total imports rebounded the first four months of 2004, with an increase of 20,6%, compared with a decrease of 9,1% in the same period of the previous year. Similarly, imports for home consumption rebounded with an increase of 20,8%, compared with a decrease of 9,8% in the same period of the previous year, while imports destined for re-exports registered an increase of 18,7%, compared with a decrease of 3,3% the corresponding period of 2003.

Non-oil imports for home consumption excluding imports of military equipment rose by 24,8% in the first four months of 2004, compared with a decrease of 6,6% in the same period of 2003.

Turning to exports, the provisional data indicate a small increase the first four months of 2004. Specifically, during this period, total exports increased by 3,8%, compared with a decrease of 14,0% in the same period of 2003. Re-exports increased by 6,9% in the first four month of 2004, compared with a decrease of 19,8% in the same period of 2003. In parallel, domestic exports rose by 9,8% the first four months of 2004 compared with a 16,4% decrease in the same period of the previous year.

As a result of these developments, the crude trade deficit widened to £734 million in the first four months of 2004 from £587,4 million in the same period of 2003.

Tables 19 and 20 present the latest available data on the breakdown of imports for home consumption and domestic exports, respectively, for the period up to March 2004.

Concerning imports for home consumption, table 19 shows that in the 1st quarter of 2004, imports of consumer goods rose by 13,5%, compared with a decrease of 18,1% in the 1st quarter of 2003. Imports of intermediate inputs registered an increase of 11,5%, compared with a decrease of 4,9% in the 1st quarter of 2003. Imports of capital goods registered an increase of 22,9%, compared with a fall of 1,5% in the 1st quarter of 2003. A smaller increase of 8,4% was observed in the transport, equipment and parts thereof.

As regards domestic exports (table 20), in the 1st quarter of 2004 a sizeable increase in the exports of agricultural products was recorded, whereas exports of industrial products of agricultural origin fell by 13,7%. Minerals and industrial products of Mineral origin also declined.

Table 18**Trade Balance Data⁽¹⁾***(Cyprus pounds in millions)*

	2002	2003	2002/2001	2003/2002	2002	2003	2004	2003/2002	2004/2003
	Jan. - Dec.	Jan. - Dec.	% change Jan. - Dec.	% change Jan. - Dec.	Jan. - Apr.	Jan. - Apr.	Jan. - Apr.	% change Jan. - Apr.	% change Jan. - Apr.
Total imports (cif)	2.486,6	2.304,0	-1,7	-7,3	814,8	740,6	893,0	-9,1	20,6
Imports for home consumption (cif)	2.256,5	2.096,5	3,7	-7,1	730,5	659,1	796,2	-9,8	20,8
<i>Non oil civil imports for home consumption (cif)</i>	<i>1.882,1</i>	<i>1.841,9</i>	<i>3,8</i>	<i>-2,1</i>	<i>615,8</i>	<i>575,2</i>	<i>717,9</i>	<i>-6,6</i>	<i>24,8</i>
<i>Imports destined for re-exports</i>	<i>230,2</i>	<i>220,2</i>	<i>-34,6</i>	<i>-4,3</i>	<i>84,3</i>	<i>81,5</i>	<i>96,8</i>	<i>-3,3</i>	<i>18,7</i>
Total exports	511,3	476,8	-18,6	-6,7	178,1	153,2	159,0	-14,0	3,8
Domestic exports (fob)	221,9	205,9	-5,1	-7,2	81,5	68,1	74,8	-16,4	9,8
Re-exports (fob)	247,1	224,5	-26,7	-9,1	87,0	69,8	74,6	-19,8	6,9
Shipstores	42,3	46,4	-25,9	9,7	9,6	15,3	9,6	58,7	-37,1
Trade balance	-1.975,4	-1.827,2	3,9	-7,5	-636,7	-587,4	-734,0	-7,7	25,0

¹ *Figures for April 2004 are provisional*

Table 19**Imports (cif) by economic destination***(Cyprus pounds in millions)*

	2002 Yearly Value	2003 Yearly Value	2002 Jan. - Mar. Value	2003 Jan. - Mar. Value	2004 Jan. - Mar. Value	2003/2002 Annual % Change	2003/2002 Jan. - Mar. % Change	2004/2003 Jan. - Mar. % Change
Consumer goods	641,6	638,2	176,6	144,5	164,0	-0,5	-18,1	13,5
Non-durable	351,0	356,8	112,4	82,5	95,5	1,7	-26,6	15,7
Semi-durable	178,0	172,6	38,2	37,5	41,3	-3,0	-1,8	10,1
Durable	112,6	108,7	25,9	24,5	27,2	-3,5	-5,5	11,2
Intermediate inputs	715,8	716,4	175,2	166,6	185,7	0,1	-4,9	11,5
Agricultural	43,3	41,2	8,9	7,7	11,1	-4,8	-13,9	45,2
Construction and mining	135,9	154,9	34,4	36,2	43,2	14,0	5,4	19,1
Manufacturing	419,3	416,8	106,5	99,3	108,6	-0,6	-6,8	9,4
Transport, storage and communication	26,2	23,3	4,8	5,4	5,0	-11,1	11,4	-8,1
Other sectors of the economy	91,1	80,2	20,6	18,0	18,9	-12,0	-12,4	4,7
Capital goods	242,8	256,6	57,3	56,5	69,4	5,7	-1,5	22,9
Agricultural	8,6	7,5	2,1	2,0	2,1	-12,8	-6,1	6,4
Construction and mining	21,2	23,8	4,0	6,2	6,6	12,3	53,6	6,6
Manufacturing	60,0	61,0	14,1	14,3	13,1	1,7	1,6	-8,6
Transport, storage and communication	45,8	62,4	11,0	11,9	20,0	36,2	8,6	67,8
Other sectors of the economy	107,3	101,8	26,2	22,1	27,7	-5,1	-15,4	25,2
Transport equipment and parts thereof	281,5	228,3	82,2	87,0	94,2	-18,9	5,8	8,4
of which:								
passenger cars	160,1	149,8	64,1	63,6	74,8	-6,4	-0,8	17,7
spare parts	66,3	66,3	15,4	21,1	15,6	0,0	37,0	-26,0
aircraft and parts	42,7	0,2	0,0	0,2	0,0	-99,5	2037,5	-94,7
Fuels and lubricants	240,4	162,5	67,6	58,9	60,3	-32,4	-13,0	2,4
Unclassified	134,3	92,1	29,4	22,0	3,3	-31,4	-25,2	-85,1
Imports for home consumption	2256,4	2094,0	525,5	477,3	518,2	-7,2	-9,2	8,6
Imports destined for re-exports	230,2	207,6	62,9	58,1	59,8	-9,8	-7,6	2,8
Total imports	2486,6	2301,6	588,4	535,5	578,0	-7,4	-9,0	7,9
Memo item:	1882,1	1841,9	435,4	416,3	468,5	-2,1	-4,4	12,5
Non oil civil imports for home consumption								

Source: Statistical Service of Cyprus

Table 20**Exports (fob) by economic destination***(Cyprus pounds in millions)*

	2002 Yearly Value	2003 Yearly Value	2002 Jan. - Mar. Value	2003 Jan. - Mar. Value	2004 Jan. - Mar. Value	2003/2002 Annual % Change	2003/2002 Jan. - Mar. % Change	2004/2003 Jan. - Mar. % Change
Agricultural products (raw)	36,9	43,6	12,8	11,3	14,5	18,2	-11,8	28,5
of which:								
potatoes	11,1	15,1	2,0	1,6	1,1			
other vegetables								
fresh, frozen or dried	3,8	4,4	1,6	1,7	1,5			
citrus fruit	18,3	19,0	8,8	7,4	9,2			
Minerals and industrial products of mineral origin	10,5	9,8	2,2	2,7	1,9	-6,7	26,8	-31,2
Industrial products of agricultural origin	32,9	32,7	6,9	7,7	6,7	-0,6	11,4	-13,7
of which:								
halloumi cheese	10,9	10,5	2,7	2,4	2,2			
fruit preserved	0,9	0,4	0,2	0,2	0,1			
fruit and vegetable juices	4,7	4,4	0,9	1,0	0,9			
beer	0,9	0,6	0,2	0,1	0,1			
wines	5,1	6,1	0,9	1,5	1,4			
meat	4,5	3,7	1,0	1,0	0,3			
Industrial products of manufacturing origin	141,6	119,9	35,2	27,7	28,7	-15,3	-21,2	3,4
of which:								
cigarettes	4,5	6,8	0,9	0,9	3,4			
cement	8,8	9,1	1,2	2,4	1,4			
pharmaceutical products	43,1	38,7	10,7	8,4	10,2			
articles of paper or of paperboard	5,5	5,6	1,8	1,3	1,3			
clothing	16,0	9,8	4,0	2,5	1,7			
footwear	3,2	1,4	0,8	0,4	0,3			
furniture	6,0	4,2	1,4	1,2	0,8			
Unclassified	0,0	0,0	0,0	0,0	0,1			
Domestic exports	221,9	205,9	57,1	49,5	51,8	-7,2	-13,3	4,7
re-exports	247,1	224,5	60,8	53,6	53,6	-9,1	-11,8	0,0
shipstores	42,3	46,4	6,5	9,9	6,6	9,6	51,5	-33,0
Total exports	511,3	476,8	124,4	113,0	112,0	-6,7	-9,2	-0,8

Source: Statistical Service of Cyprus

Tourist

Tourist arrival increased by 10,5% in the first five month of 2004 compared with 12,9% the same period of the previous year (table 21).

Receipts from tourism fell by 0,4% in the first four months of 2004. It should be noted that in the period January – April 2003, an increase of 13,2% in receipts was recorded.

It is worth noting that during the period January – April 2004 tourist arrival increased by 9,1%. This indicate that there was a significant decrease in spending by tourist.

Balance of payments prospects

On the basis of the data on external transaction discussed in this report, and in the context of the overall performance of the economy in 2004, the current account deficit is expected to narrow somewhat in 2004.

This improvement is due to the recovery of the overall world economy and thus, the improvement in the export of goods and especially services including the increase of tourist arrival in Cyprus.

Table 21**Tourist arrivals⁽¹⁾***(number of persons)*

	2000	2001	2002	2003	2004	% change 2001/2000	% change 2002/2001	% change 2003/2002	% change 2004/2003
January	63.553	64.214	54.067	59.529	56.504	1,0	-15,8	10,1	-5,1
February	87.243	83.569	71.950	77.972	75.705	-4,2	-13,9	8,4	-2,9
March	135.487	137.578	138.625	91.634	111.946	1,5	0,8	-33,9	22,2
April	221.785	237.228	180.481	169.891	191.251	7,0	-23,9	-5,9	12,6
May	299.355	324.901	279.070	231.527	261.646	8,5	-14,1	-17,0	13,0
June	302.011	322.835	293.192	262.100		6,9	-9,2	-10,6	
July	362.299	373.385	327.404	318.143		3,1	-12,3	-2,8	
August	356.686	371.536	301.724	325.390		4,2	-18,8	7,8	
September	329.964	329.400	306.731	287.358		-0,2	-6,9	-6,3	
October	300.597	269.744	275.840	271.980		-10,3	2,3	-1,4	
November	133.500	107.454	111.327	123.800		-19,5	3,6	11,2	
December	93.722	74.887	77.822	83.919		-20,1	3,9	7,8	
Jan. - May.	807.423	847.490	724.193	630.553	697.052	5,0	-14,5	-12,9	10,5
Jan. - Dec.	2.686.202	2.696.731	2.418.233	2.303.243			-10,3	-4,8	

*Source: Statistical Service of Cyprus*¹ Arrivals of same - day visitors are not included**Table 22****Receipts from tourism⁽¹⁾***(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		-22,6	
June	122,9	157,4	139,3	114,8		-17,6	
July	162,7	192,0	160,7	152,4		-5,2	
August	173,7	205,0	153,8	165,3		7,5	
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. - Apr.		193,6	186,7	162,0	161,3	-13,2	-0,4
Jan. - Dec.		1.271,6	1.132,4	1.015,1		-10,4	

*Source: Statistical Service of Cyprus*¹ 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	Main refinancing operations				Marginal lending facility
		Variable rate tenders			Fixed rate tenders	
		Repo	Reverse repo	Acceptance of deposits	Acceptance of deposits	
		Minimum bid rate	Maximum bid rate	Maximum bid rate	Fixed rate	
2001	10 Aug.	3,50	5,00			6,50
	18 Sep.	3,00	4,50			6,00
	02 Nov.	2,50	4,00	4,00	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

Table 2**Main refinancing operations allotted through tenders ⁽¹⁾***(Cyprus pounds millions, interest rates in percentages per annum)*

Date of settlement	Bids (amount)	Allotment (amount)	Variable rate tenders				Fixed rate tenders	Running for (...) days
			Maximum bid rate	Weighted average allotment rate	Minimum allotment rate	Maximum allotment rate	Fixed rate	
2003	06 Nov.	213,0	140,0	3,50	3,41	3,29	3,50	14
	20 Nov.	114,0	70,0	3,50	3,19	3,19	3,19	14
	04 Dec.	128,0	70,0	3,50	3,11	3,09	3,14	7
	11 Dec.	45,0	30,0	3,50	3,01	2,99	3,04	7
	18 Dec.	53,0	40,0	3,50	2,84	2,84	2,84	15
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

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

Table 3**Money market interest rates***(percentages per annum, 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	Apr.	3,36	3,45	3,68	-	-	2,56	2,58	2,54	2,47	2,45
	May	3,56	-	3,56	3,70	3,96	2,56	2,52	2,41	2,32	2,26
	June	3,42	3,38	3,63	3,67	-	2,21	2,18	2,15	2,08	2,01
	July	3,19	-	3,49	3,75	-	2,08	2,13	2,13	2,09	2,08
	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.	3,21	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					

Sources: Central Bank of Cyprus and European Central Bank

Table 4**Bank interest rates^(1, 2)***(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 Jan.	7,12	7,12	8,03	7,00	10,00	0,92	4,00	4,95
Feb.	7,12	7,12	8,12	7,08	10,50	0,93	4,03	4,95
Mar.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
Apr.	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
May	6,78	7,13	7,90	7,15	10,50	0,93	4,03	4,79
June	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
July	6,98	7,16	7,90	7,15	10,50	0,93	4,42	4,85
Aug.	6,98	7,16	7,90	7,21	10,50	0,83	4,42	4,85
Sept.	6,98	7,16	7,90	7,21	10,50	0,84	4,37	4,88
Oct.	7,15	7,33	7,90	7,21	10,50	0,84	4,37	4,88
Nov.	7,15	7,33	7,90	7,21	10,50	0,83	4,40	4,84
Dec.	6,98	6,88	7,52	6,78	10,33	0,66	3,80	4,56
2003 Jan.	7,40	7,32	7,70	6,78	10,50	0,71	3,85	4,43
Feb	7,22	7,21	7,70	6,78	10,50	0,65	3,84	4,40
Mar	7,23	7,22	7,70	6,78	10,50	0,68	3,85	4,37
Apr	6,77	6,74	7,13	6,18	10,50	0,45	3,33	3,68
May	6,66	6,68	7,10	6,18	10,50	0,45	3,34	3,64
June	6,76	6,72	7,20	6,18	10,50	0,45	3,33	3,60
July	6,97	6,98	7,40	6,30	10,50	0,42	3,34	3,57
Aug.	6,92	6,90	7,40	6,30	10,50	0,40	3,34	3,55
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

*(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 ¹⁾		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 Mar.	0,87	2,45	3,54	2,29	3,19	1,14	2,61	4,66
Apr.	0,84	2,39	3,55	2,31	3,14	1,11	2,53	4,61
May	0,84	2,34	3,47	2,24	3,10	1,08	2,50	4,50
June	0,76	2,18	3,48	2,23	3,01	1,00	2,26	4,45
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	0,89	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	2,01	2,68	0,88	2,15	4,25
2004 Jan.	0,69	1,94	3,36	2,02	2,65	0,95	2,09	4,26
Feb.	0,70	1,93	3,42	2,02	2,63	0,88	2,09	4,20

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 Mar.	5,45	5,36	5,55	8,61	7,42	6,17	5,00	4,68	5,11
Apr.	5,39	5,26	5,49	8,50	7,45	6,11	4,89	4,61	5,03
May	5,33	5,22	5,44	8,48	7,34	6,09	4,83	4,56	4,94
June	5,30	5,13	5,39	8,38	7,37	6,03	4,72	4,47	4,90
July	5,21	5,07	5,31	8,31	7,28	5,96	4,60	4,33	4,81
Aug.	5,11	4,99	5,25	8,26	7,23	6,07	4,53	4,22	4,75
Sep.	5,05	4,95	5,24	8,28	7,26	6,00	4,55	4,20	4,75
Oct.	4,97	4,92	5,20	8,11	7,12	5,85	4,55	4,12	4,71
Nov.	4,97	4,90	5,17	7,97	7,09	5,82	4,51	4,18	4,67
Dec.	4,96	4,88	5,14	8,05	7,05	6,00	4,53	4,23	4,67
2004 Jan.	4,90	4,89	5,11	8,15	7,02	5,92	4,55	4,08	4,56
Feb.	4,87	4,90	5,11	8,13	7,16	5,95	4,60	4,07	4,58

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 ¹	8 2,00	5 2,00	4 2,00	1 2,00	6 2,00	3 2,00	1 2,00	5	2	7	4	2
Bank of England ²	8 3,75	5 4,00	4 4,00	8 4,00	6 4,25	10 4,50	8	5	9	7	4	9
Federal Reserve System ³	27/28 1,00		16 1,00		4 1,00	29/30 1,25		10	21		10	14
Central Bank of Cyprus ⁴	16 4,50	27 4,50		7 4,50		4 5,50	9		3	22		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			May 2003/ 2002	Apr. 2004/ 2003	May 2004/ 2003	Jan.- May 2003/ 2002	Jan.- Apr. 2004/ 2003	Jan.- May 2004/ 2003	Weights 1998=100
	2002	2003	2003 III	2003 IV	2004 I							
GENERAL INDEX	2,81	4,14	3,31	3,54	1,35	5,11	0,48	1,49	5,04	1,13	1,20	100,00
A LOCAL GOODS	4,35	7,30	4,41	5,54	3,47	10,78	0,97	3,35	10,12	2,82	2,93	36,69
A.1 Agricultural	1,79	4,54	6,87	6,04	6,06	10,38	0,37	1,50	2,35	0,57	0,76	7,93
A.2 Industrial	5,62	7,90	3,60	5,50	5,21	10,45	2,08	4,73	12,17	4,07	4,20	27,24
A.2.1 industrial non-petroleum	4,55	6,46	4,36	5,29	4,71	7,73	2,89	3,43	8,62	3,15	3,21	22,91
A.2.2 fuel and gas	10,57	14,16	0,57	6,39	7,24	22,94	-0,91	9,98	28,83	7,69	8,15	4,33
A.3 Electricity	-2,26	10,20	6,57	4,41	1,63	17,55	-11,86	-8,69	16,42	-5,28	-5,97	1,52
B IMPORTED GOODS	-1,69	-2,38	-0,38	-2,69	-4,73	-3,29	-6,19	-6,60	-3,12	-6,16	-6,25	22,20
B.1 Motor Vehicles	-5,07	-8,31	-1,75	-8,12	-12,87	-11,16	-15,06	-15,18	-11,31	-15,58	-15,50	9,43
B.2 Other Imported	0,85	1,81	0,53	0,84	0,61	2,55	-0,50	-1,07	3,08	-0,01	-0,23	12,77
C SERVICES	3,67	4,38	4,01	4,58	4,03	4,13	3,07	3,42	4,49	2,87	2,98	41,11
HICP	2,8	4,0	2,8	3,2	1,1		0,1	1,2		0,8		
Euro area inflation	2,3	2,1	2,0	2,0	1,7		1,9			1,8		

Table 8**Weighted contribution to the total change in the Consumer Price Index by economic origin (%)****2002 - 2004**

			Quarterly			May	Apr.	May	Jan.-	Jan.-	Jan.-	Weights
	2002	2003	2003 III	2003 IV	2004 I	2003/ 2002	2004/ 2003	2004/ 2003	May 2003/ 2002	Apr. 2004/ 2003	May 2004/ 2003	
GENERAL INDEX	2,81	4,14	3,31	3,54	1,35	5,11	0,48	1,49	5,04	1,13	1,20	100,00
A LOCAL GOODS	1,64	2,79	1,69	2,17	1,35	4,06	0,39	1,33	3,81	1,11	1,15	36,69
A.1 Agricultural	0,15	0,37	0,53	0,48	0,06	0,82	0,03	0,12	0,20	0,05	0,06	7,93
A.2 Industrial	1,53	2,22	1,03	1,60	1,36	2,91	0,62	1,39	3,29	1,17	1,22	27,24
A.2.1 industrial non-petroleum	1,02	1,47	1,00	1,24	0,74	1,77	0,67	0,81	1,92	0,72	0,74	22,91
A.2.2 fuel and gas	0,51	0,74	0,03	0,36	0,62	1,14	-0,06	0,58	1,37	0,45	0,48	4,33
A.3 Electricity	-0,05	0,20	0,13	0,09	-0,06	0,33	-0,26	-0,18	0,31	-0,11	-0,13	1,52
B IMPORTED GOODS	-0,35	-0,48	-0,07	-0,52	-1,18	-0,68	-1,17	-1,25	-0,64	-1,17	-1,19	22,20
B.1 Motor Vehicles	-0,46	-0,69	-0,14	-0,62	-1,19	-0,98	-1,11	-1,13	-1,00	-1,17	-1,16	9,43
B.2 Other Imported	0,10	0,21	0,06	0,10	0,02	0,30	-0,06	-0,12	0,36	0,00	-0,03	12,77
C SERVICES	1,52	1,83	1,69	1,90	1,17	1,72	1,26	1,41	1,88	1,20	1,24	41,11

Table 9**Percentage change in the Consumer Price Index by category of goods and services (%)****2002 - 2004**

	Yearly		Quarterly			May 2003/ 2002	Apr. 2004/ 2003	May 2004/ 2003	Jan.- May 2003/ 2002	Jan.- Apr. 2004/ 2003	Jan.- May 2004/ 2003	Weights 1998=100
	2002	2003	2003 III	2003 IV	2004 I							
GENERAL INDEX	2,81	4,14	3,31	3,54	1,35	5,11	0,48	1,49	5,04	1,13	1,20	100,00
Food & non-alcoholic beverages	4,58	5,11	5,42	5,26	3,11	7,50	2,42	2,97	4,82	2,94	2,94	18,20
Alcoholic beverages & tobacco	13,32	24,22	12,37	24,53	13,36	33,65	12,38	14,03	34,78	13,12	13,30	1,78
Clothing and footwear	-3,46	1,19	1,32	1,34	-2,11	1,29	-1,97	-1,75	1,07	-2,08	-2,01	8,22
Housing, water, electricity and gas	4,08	5,04	3,93	4,46	3,79	6,00	1,89	2,85	6,00	3,32	3,22	21,27
Furnishings, household equipment and supplies	0,81	3,59	1,46	1,34	-0,37	6,37	-0,06	-1,13	5,70	-0,29	-0,46	7,08
Health	4,70	5,66	5,49	5,36	3,63	3,84	3,74	4,78	6,23	3,66	3,88	4,92
Transport	0,39	0,35	0,32	-1,81	-6,41	0,43	-8,31	-5,21	1,82	-6,88	-6,55	17,42
Communication	-8,81	-7,16	-11,04	3,98	-5,05	-9,60	-8,69	-8,58	-10,20	-5,96	-6,48	1,79
Recreation & culture	2,20	3,55	2,14	2,83	1,59	4,18	1,44	1,55	4,74	1,55	1,55	5,88
Education	5,71	4,02	3,84	3,28	3,25	4,49	3,25	3,25	4,49	3,25	3,25	2,33
Restaurants & hotels	3,97	5,31	4,37	4,59	3,62	6,10	3,75	4,91	6,31	3,65	3,90	6,07
Miscellaneous goods and services	5,49	5,50	4,36	4,43	4,81	5,87	6,02	6,55	6,93	5,11	5,40	5,04

Table 10

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

	Yearly		Quarterly			May. 2003/ 2002	Apr. 2004/ 2003	May 2004/ 2003	Jan.- May 2003/ 2002	Jan.- Apr. 2004/ 2003	Jan.- May 2004/ 2003	Weights 1998=100
	2002	2003	2003 III	2003 IV	2004 I							
GENERAL INDEX	2,81	4,14	3,31	3,54	1,35	5,11	0,48	1,49	5,04	1,13	1,20	100,00
Food & non-alcoholic beverages	0,86	0,97	1,01	0,99	0,60	1,41	0,46	0,57	0,93	0,56	0,56	18,20
Alcoholic beverages & tobacco	0,27	0,54	0,30	0,59	0,35	0,69	0,32	0,36	0,71	0,34	0,35	1,78
Clothing and footwear	-0,25	0,08	0,08	0,00	-0,13	0,09	-0,14	-0,12	0,07	-0,13	-0,13	8,22
Housing, water, electricity and gas	0,88	1,10	0,87	0,98	0,84	1,31	0,42	0,63	1,31	0,73	0,71	21,27
Furnishings, household equipment and supplies	0,05	0,23	0,10	0,09	-0,02	0,41	0,00	-0,07	0,37	-0,02	-0,03	7,08
Health	0,25	0,30	0,29	0,28	0,20	0,21	0,20	0,25	0,33	0,20	0,21	4,92
Transport	0,07	0,06	0,05	-0,30	-1,07	0,07	-1,40	-0,86	0,31	-1,15	-1,09	17,42
Communication	-0,13	-0,09	-0,15	0,05	-0,06	-0,13	-0,10	-0,10	-0,14	-0,07	-0,07	1,79
Recreation & culture	0,12	0,19	0,12	0,15	0,09	0,22	0,08	0,08	0,26	0,08	0,08	5,88
Education	0,14	0,10	0,10	0,08	0,08	0,11	0,08	0,08	0,11	0,08	0,08	2,33
Restaurants & hotels	0,26	0,35	0,29	0,30	0,24	0,40	0,25	0,33	0,41	0,24	0,26	6,07
Miscellaneous goods and services	0,28	0,29	0,23	0,24	0,26	0,30	0,31	0,34	0,36	0,27	0,28	5,04

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

Geographic origin of non-resident investor	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
EUROPE	2.490,6	40,2	41,1	141,0	146,2	202,4	457,5	347,9	507,5	2.018,5	531,6	166,0	414,3	5.014,3	1.597,3	1.011,7	301,2	702,6	574,6
European Union ²	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
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
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
Acceding countries ³	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
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
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
AFRICA	792,6	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
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
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
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
AMERICA	338,0	4,7	0,7	0,0	4,6	56,4	3,0	54,5	83,1	21,3	9,8	13,1	51,8	303,0	489,6	138,0	20,8	76,8	0,0
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
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
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
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
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
ASIA	112,1	0,2	1,4	0,8	2,8	3,4	0,0	4,6	2,6	4,2	4,2	0,0	0,0	24,1	0,0	0,0	0,7	0,0	0,0
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
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
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
OCEANIA	2,4	0,0	0,0	0,0	0,4	0,0	0,0	1,7	0,9	0,8	0,0	0,0	23,0	26,8	0,0	0,0	1,0	0,0	17,5
Total	3.735,6	45,6	43,2	141,8	153,9	262,2	460,5	408,7	594,1	2.181,9	672,5	193,1	494,7	5.652,2	2.234,8	1.294,9	361,3	809,1	613,0

*(1) Purchase of shares included in the central securities depository as well as shares not included in the central securities depository.**(2) Up to April 2004 the sum for the European 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.**(3) 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⁽¹⁾***(CYP thousand)*

Geographic origin of non-resident investor	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
EUROPE	1.285,1	14,9	12,0	36,9	35,0	9,9	70,9	24,3	112,6	96,9	137,3	292,9	355,7	1.199,3	484,6	171,7	186,4	989,0	85,7
European Union ²	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
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
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
Acceding countries ³	37,7	0,0	0,0	0,2	0,0	0,6	0,0	0,0	0,0	0,2	0,0	2,0	0,0	3,0	0,2	0,8	1,1	0,0	1,6
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	0,0	0,0	47,4	0,5	1,6	1,9	6,1	0,7
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
AFRICA	305,8	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
North African countries	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
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
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
AMERICA	459,8	3,9	1,1	6,3	0,0	0,0	3,4	0,0	2,4	4,0	0,5	0,0	0,0	21,6	18,0	30,5	15,2	0,0	0,0
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
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
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
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
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
ASIA	15,4	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
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
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
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
OCEANIA	16,3	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
Total	2.082,4	19,2	14,0	43,9	35,0	10,2	74,4	25,6	116,8	105,3	145,3	305,3	357,8	1.252,6	572,0	326,6	240,3	1.017,4	99,1

(1) Sale of shares included in the central securities depository as well as shares not included in the central securities depository.

(2) Up to April 2004 the sum for the European 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.

(3) 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 13**Balance of payment**

(CYP million)

CATEGORIES	2002 (Annual)			2003 (1st quarter)			2003 (2nd quarter)			2003 (3rd quarter)		
	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET	CREDIT	DEBIT	NET
CURRENT ACCOUNT	3.676,7	4.007,6	-330,9	649,7	876,0	-226,3	880,4	949,2	-68,8	1.237,2	1.052,9	184,2
GOODS, SERVICES AND INCOME	3.537,3	3.908,3	-371,0	622,8	861,2	-238,4	860,1	929,6	-69,5	1.173,9	1.023,6	150,3
GOODS AND SERVICES	3.226,5	3.632,6	-406,0	567,9	814,2	-246,3	829,2	865,5	-36,3	1.126,8	944,2	182,6
GOODS	514,4	2.253,4	-1.739,0	113,6	483,1	-369,5	134,0	527,4	-393,5	123,8	530,1	-406,3
General merchandise	469,0	2.238,0	-1.769,1	103,1	481,8	-378,7	120,0	524,2	-404,2	110,7	528,9	-418,1
Repairs on goods	3,1	15,3	-12,2	0,6	1,3	-0,7	0,0	2,9	-2,9	0,1	0,7	-0,6
Goods procured in ports by carriers	42,3	0,0	42,3	9,9	0,0	9,9	14,0	0,3	13,6	13,0	0,5	12,4
Non-monetary gold	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
SERVICES	2.712,1	1.379,2	1.333,0	454,3	331,1	123,2	695,2	338,1	357,2	1.003,0	414,1	588,9
Transport	528,3	538,2	-9,9	103,5	149,2	-45,6	129,1	152,1	-23,0	243,0	189,0	53,9
Sea transport	269,0	377,2	-108,3	71,2	100,1	-28,9	76,4	99,3	-22,9	129,8	101,1	28,7
Passenger transport on sea	1,6	1,2	0,4	0,3	0,3	-0,1	0,2	1,3	-1,2	0,4	0,7	-0,3
Freight transport on sea	67,7	165,7	-98,0	11,2	37,2	-26,0	15,1	38,8	-23,7	53,2	39,2	14,1
Supporting, auxiliary and other services	199,6	210,4	-10,7	59,8	62,6	-2,8	61,1	59,1	2,0	76,2	61,3	14,9
Air transport	259,4	161,0	98,4	25,4	47,6	-22,2	52,2	41,0	11,2	78,6	50,7	28,0
Passenger transport by air	129,7	42,2	87,5	10,5	18,2	-7,7	21,6	8,3	13,3	39,3	11,9	27,4
Freight transport by air	17,1	82,9	-65,8	2,3	17,9	-15,6	4,3	19,4	-15,1	10,8	19,6	-8,8
Supporting, auxiliary and other services	112,6	35,8	76,7	12,6	11,6	1,1	26,2	13,3	12,9	28,5	19,1	9,4
Other transportation	0,0	0,0	0,0	6,9	1,4	5,5	0,5	11,8	-11,3	34,6	37,3	-2,7
Passenger	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Freight	0,0	0,0	0,0	0,0	0,8	-0,8	0,0	0,4	-0,4	0,1	0,4	-0,3
Other services	0,0	0,0	0,0	6,9	0,7	6,2	0,5	11,4	-10,9	34,5	36,9	-2,4
Travel	1.156,8	319,0	837,9	103,1	76,6	26,5	278,7	58,8	219,9	460,6	105,5	355,1
Business travel	57,6	12,3	45,3	10,5	2,9	7,6	14,7	1,1	13,7	13,1	2,1	11,1
Personal travel	1.099,2	306,7	792,5	92,6	73,8	18,8	264,0	57,7	206,2	447,4	103,4	344,0
Communications services	22,3	39,2	-16,8	1,5	7,1	-5,7	1,8	7,7	-6,0	5,1	9,2	-4,2
Construction services	47,6	4,3	43,3	15,1	3,6	11,5	19,2	1,0	18,2	20,5	0,8	19,6
Insurance services	17,1	19,2	-2,1	3,0	4,4	-1,5	3,4	4,1	-0,6	5,7	6,1	-0,4
Financial services	91,3	40,0	51,3	13,7	2,5	11,3	11,8	7,8	4,1	30,7	6,0	24,7
Computer and information services	140,6	131,9	8,7	18,1	3,7	14,4	3,7	3,2	0,4	12,3	2,5	9,7
Royalties and licence fees	1,5	9,3	-7,8	0,7	3,0	-2,3	2,7	2,4	0,3	2,3	1,7	0,6
Other business services	521,8	205,2	316,6	146,6	64,5	82,1	195,6	82,8	112,8	177,3	75,8	101,5
Merchandising and other trade-related services	165,0	128,8	36,2	50,1	49,7	0,4	98,5	69,6	28,9	78,9	61,7	17,2
Operational leasing	25,5	5,3	20,2	5,3	3,6	1,7	5,3	1,0	4,3	10,2	1,5	8,7
Miscellaneous business, professional and technical services	331,3	71,2	260,2	91,2	11,3	79,9	91,7	12,1	79,6	88,2	12,6	75,6
Personal, cultural and recreational services	8,9	8,1	0,7	1,5	2,4	-0,9	1,0	2,4	-1,4	1,1	2,6	-1,5
Government services, n.i.e.	175,9	64,7	111,1	47,5	14,1	33,4	48,3	15,8	32,5	44,6	14,7	29,9
Services not allocated	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
INCOME	310,7	275,7	35,0	54,9	47,0	7,9	30,9	64,1	-33,2	47,1	79,4	-32,4
Compensation of employees	8,7	29,7	-21,0	3,8	10,3	-6,4	1,7	11,1	-9,4	4,1	13,4	-9,4
Investment Income	302,0	246,0	56,0	51,1	36,7	14,4	29,2	53,0	-23,8	43,0	66,0	-23,0
Of which:	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Reinvested earnings	82,8	68,7	14,1	20,0	0,2	19,8	13,0	35,2	-22,3	13,0	30,8	-17,8
Portfolio investment income	77,4	49,3	28,1	9,9	20,4	-10,5	6,8	0,2	6,6	8,8	12,5	-3,7
CURRENT TRANSFERS	139,5	99,3	40,1	26,9	14,8	12,0	20,3	19,6	0,7	63,3	29,3	34,0
General government	16,1	1,1	15,0	3,2	0,2	3,0	3,2	0,2	2,9	7,5	0,4	7,0
Other sectors	123,4	98,2	25,1	23,6	14,6	9,1	17,1	19,3	-2,2	55,8	28,9	26,9
CAPITAL AND FINANCIAL ACCOUNT			300,3			222,0			104,4			-174,8
Capital Account	13,6	16,7	-3,1	3,8	2,2	1,6	6,1	2,0	4,2	6,2	3,2	2,9
Financial Account			303,4			220,4			100,2			-177,7
Direct Investment			187,5			5,6			29,1			107,1
Abroad			-176,4			-38,0			-43,0			-49,5
In Cyprus			364,0			43,6			72,1			156,6
Portfolio Investment			-277,7			-100,1			-160,3			135,3
Assets			-397,4			-82,2			-169,7			-11,8
Liabilities			119,7			-17,9			9,4			147,1
Financial Derivatives			-31,1			-4,4			6,2			10,4
Other Investment			661,7			113,8			104,0			-378,0
Assets			1.318,3			-145,5			-166,3			-279,6
Liabilities			-656,6			259,3			270,3			-98,4
Reserve Assets			-237,0			205,5			121,2			-52,5
NET ERRORS AND OMISSIONS			30,6			4,4			-35,6			-9,5

Source: Central Bank of Cyprus