

Explanatory Notes on Money, Banking and other Financial Statistics

➤ **Money Supply**

- ***Money Supply M1*** corresponds to ***Primary Liquidity*** in national terminology. It includes currency in circulation net of cash held in tills of domestic banks, local and foreign currency demand deposits of residents (excl. government) with domestic banks and sight balances of public corporations with the Central Bank of Cyprus (CBC).

- ***Money Supply M2*** corresponds to ***Total Liquidity*** in national terminology. It comprises M1, savings and notice/fixed deposits of residents (excl. government) with domestic banks in local and foreign currency and sinking funds of public corporations with the CBC.

➤ **Credit and deposits**

- ***MFI loans to Central Government***. This item comprises loans and advances to Central Government (Government and Government Agencies) by the CBC and the domestic banks and Treasury Bills and other government securities held by the CBC and the domestic banks.

- ***MFI loans to other residents*** correspond to ***Claims on the private sector*** in national terminology. It comprises advances and loans by domestic banks to residents (excluding government) in local and foreign currency and to non-residents in local currency, local bills discounted, securities of public corporations and other local authorities held by domestic banks and government guaranteed debt securities (other than treasury bills and government bonds) held by the CBC.

➤ **Residents' deposits with MFIs**

- ***Central Government deposits with MFIs*** comprises Central Government

(Government and Government Agencies) deposits with the CBC (including sinking fund deposits), and with the domestic banks.

- ***Other residents' deposits with MFIs*** comprises deposits of residents (excl. government) with the domestic banks as well as deposits and sinking fund deposits of public corporations with the CBC.

➤ **Interest Rates**

Central Bank interest rates

- ***Overnight deposit facility rate***: Interest rate on overnight deposit facility of the CBC. As from January 1996, the CBC offers to banks an overnight deposit facility, the interest rate of which is intended to provide the floor for short-term money market rates.
- ***Marginal lending facility rate***: Interest rate on the marginal lending facility of the CBC. As from January 1996, the CBC has introduced a short-term lending facility (lombard-type), the interest rate of which is intended to provide the upper end of money market interest rates.
- ***Minimum bid rate on the liquidity providing open market operations*** i.e. sales of treasury bills by banks to the CBC under repurchase agreements (repos). As from January 1, 1996, repurchase/reverse repurchase transactions have replaced the liquidity ratio as the main instrument of monetary management. As from September 2006, this rate forms the basis for the pricing of credit institution loans in Cyprus pounds, instead of the interest rate on the marginal lending facility (Lombard), which was used until August, 2006.
- ***Maximum bid rate on the liquidity absorbing open market operations*** i.e. purchase of treasury bills by banks from the CBC under repurchase agreement (Reverse repos) or Deposit Acceptances (Depos). As from January 1, 1996, repurchase/reverse repurchase transactions have replaced the liquidity ratio as the main instrument of monetary management.

Money market interest rates

- ***Interbank offer rate (overnight)***: It is calculated as the simple average of the rates offered during the month on overnight deposits in the interbank market.
- ***Interbank offer rate (1-month)***: It is calculated as the simple average of the rates offered during the month for 1-month deposits in the interbank market.
- ***Interbank offer rate (3-month)***: It is calculated as the simple average of the rates offered during the month for 3-month deposits in the interbank market.
- ***Interbank offer rate (6-month)***: It is calculated as the simple average of the rates offered during the month for 6-month deposits in the interbank market.
- ***Interbank offer rate (12-month)***: It is calculated as the simple average of the rates offered during the month for 12-month deposits in the interbank market.
- ***Treasury bill rate (3-month)***: As from January 1st 1996, 13-week Treasury Bills have been offered to the public by auction. The rate reported is calculated as the simple average rate resulted at the auctions during the month.

Retail bank interest rates

The Interest Law of 1977 was in effect until the end of 2000, prescribing a legal ceiling of 9% per annum on interest rates. Within this ceiling, the upper limits of bank deposit and lending interest rates were determined, from time to time, by the CBC.

The Interest Rate Liberalization Law came into force on 1 January 2001, providing for the abolition of the interest rate ceiling. Following interest rate liberalization, banks adopted a base lending rate as the reference rate, to which a margin is added according to the risk and creditworthiness of the client. As a transitional measure, the base rate of banks was set equal to the marginal lending rate, so that changes in the official interest rates by the CBC could be passed on effectively to market rates. As from September 2006, the “Minimum bid rate on the liquidity providing open market

operations” forms the basis for the pricing of credit institution loans in Cyprus pounds.

Deposit rates

- ***Current accounts***: For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. As from 2001 onwards data refer to the average of the representative interest rates offered on current accounts, as defined by the three largest banks.
- ***3 month notice - over CYP5000***: For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. As from 2001 onwards data refer to the average of the representative interest rates offered on 3 month notice deposits for amounts over CYP5000, as defined by the three largest banks.
- ***1 year fixed deposits - over CYP5000***: For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. As from 2001 onwards data refer to the average of the representative interest rates offered on 1 year fixed deposits for amounts over CYP5000, as defined by the three largest banks.

Lending rates

- ***Lending to enterprises - overdraft within limits***: For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. For the period January 2001 - November 2001, data refer to the average of the minimum interest rates charged to enterprises for overdrafts within limits, as reported by the three largest banks. From December 2001, data refer to the average of the representative interest rates charged to enterprises for overdrafts within limits, as defined by the three largest banks.
- ***Lending to enterprises – secured loans***: For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. For the period January 2001 - November 2001, data refer to the average of the minimum interest rates charged on secured loans to enterprises, as reported by the three largest banks. From

December 2001, data refer to the average of the representative interest rates charged on secured loans to enterprises, as defined by the three largest banks.

- ***Personal secured loans:*** For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. For the period January 2001 - November 2001, data refer to the average of the minimum interest rates charged on personal secured loans, as reported by the three largest banks. From December 2001, data refer to the average of the representative interest rates charged on personal secured loans, as defined by the three largest banks.
- ***Housing loans secured by assignment of life policy:*** For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. For the period January 2001 - November 2001, data refer to the average of the minimum interest rates charged on housing loans secured by assignment of life policy, as reported by the three largest banks. From December 2001, data refer to the average of the representative interest rates charged on housing loans secured by assignment of life policy, as defined by the three largest banks.
- ***Credit cards:*** For the time period 1993 - 2000, data refer to the upper limit prescribed by the CBC. For the period January 2001 - November 2001, data refer to the average of the minimum interest rates charged on credit cards, as reported by the three largest banks. From December 2001, data refer to the average of the representative interest rates charged on credit cards, as defined by the three largest banks.

Government bond yields

- ***Yield on 5-year government bonds:*** 5-year Government Registered Development Stocks have been offered to the public by auction since April 1997. The yield reported is calculated as the simple average of the weighted average yields resulted at the auctions during the month.
- ***Yield on 10-year government bonds:*** 10-year Government Registered Development Stocks have been offered to the public by auction since November

1997. The yield reported is calculated as the simple average of the weighted average yields resulted at the auctions during the month.

➤ **Foreign Official Reserves**

- ***Monetary gold value at official price:*** Bullion, as from December 1st, 1996 is valued under the methodology applied by the European Monetary Institute. It is shown at the lowest of (a) the average of the gold prices recorded at the two daily London fixings during the six months prior to the balance sheet date and (b) the average price at the two London fixings on the penultimate working day of the period. Under the old methodology, gold was valued at cost. From December 1996 to November 1997 the revaluation difference (£72,3 million as at 31.12.96) appeared in a Special Reserve Account under "Capital and Reserves"
- ***Foreign Exchange*** includes the foreign liquid assets (foreign notes and coins) held by the CBC, deposits held with foreign banks and foreign quoted securities.
- ***Other Claims*** corresponds to the Government foreign liquid funds.

➤ **Index of exchange rates**

- ***Index of effective exchange rate*** refers to the nominal effective exchange rate compiled by the IMF under the IFS methodology. The base is 1995=100.
- ***Index of real effective exchange rates:*** Following the IFS methodology, the real effective exchange rate is derived from the nominal effective exchange rate index, adjusted for relative changes in consumer prices.