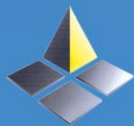


CYPRUS

Focus on Foreign Trade 2008



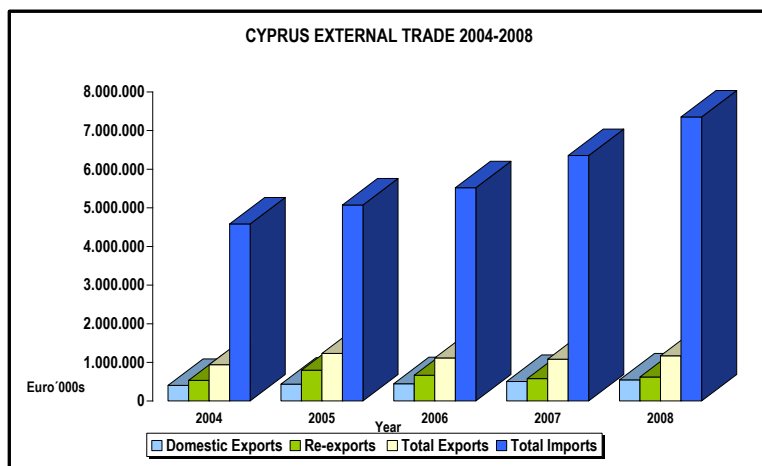
Department of Trade
Ministry of Commerce, Industry and
Tourism

CYPRUS EXTERNAL TRADE DEVELOPMENTS IN 2008

1. INTRODUCTION

Cyprus, has an exceptionally extrovert economy. Due to its small domestic market and the open nature of its economy, considers access to international markets as of utmost importance. Because of its location, Cyprus has always had strong economic ties with other countries. As a result, trade has always played a crucial role in the development of the economy. During 2008 exports accounted for about 7% of the Country's GDP.

Cyprus has been a member of the European Union (EU) since 2004. The entry into the EU represents a formal turning point which has already affected Cyprus's international trade, fostering exports as a driving force in the economy. Cyprus has made another decisive step for its further economic and political development as it has introduced the Euro, from 1st January, 2008.

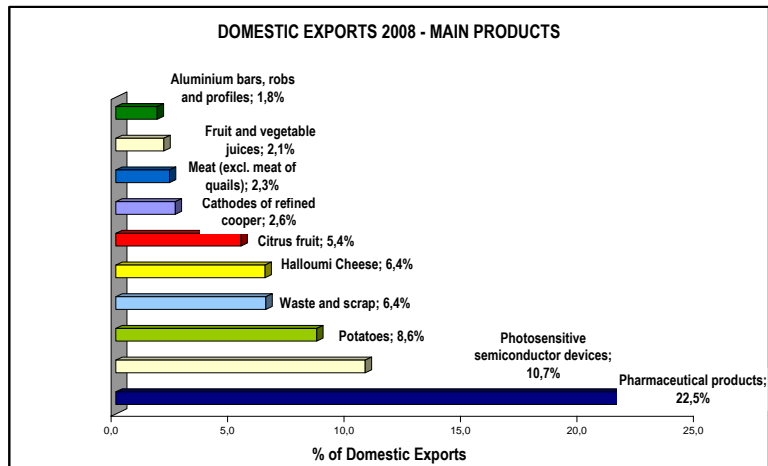


During 2008 Cyprus recorded a rise in both exports and imports. Both **total** and **domestic exports** increased by about 8% reaching in 2008 €1.167 m. and €545 m. respectively from €1.082 m. and €505 m. during 2007. **Total imports** increased by 16% reaching € 7.349 m. in 2008 from € 6.353 m. in 2007. An increase of about 8% has also been observed in **re - exports** which have amounted to €622 m. from €577 m. in 2007. (Table 1)

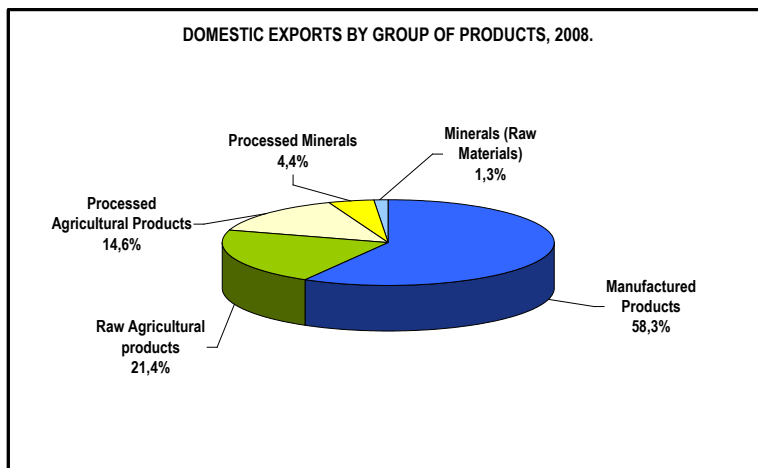
2. CYPRUS' DOMESTIC EXPORTS

During 2008 domestic exports (including stores and provisions) amounted to €545 m. from €505 m. in 2007, thus registering an increase of about 8% from the previous year. Cyprus's domestic exports cover a range of areas, the most important being the manufacturing and agricultural sectors.

The main products exported during 2008 were **pharmaceuticals, photosensitive semiconductor devices, potatoes, waste and scrap, halloumi cheese, citrus, cathodes of refined copper, meat, fruit and vegetable juices, and aluminium products.** (Table 2).



2.1 Exports by broad economic sector (Group of Products)



A closer look at export performance by basic product classes shows that growth came chiefly from exports of **manufactured products**, which rose by 12%, representing more than half of the total. Exports of manufactured products which constitute the bulk of Cyprus' domestic exports with a 58% share in 2008, increased to €318 m.

from €283 m. in 2007.

Exports of **raw agricultural products** declined slightly reaching in 2008 €117 m., compared to €120 m. in 2007. They represent 21 % of domestic exports.

Exports of **processed agricultural products** rose by 14% during 2008 and reached €79 m. as compared to €70 m. in 2007. They represent 15% of the total domestic exports.

Exports of **processed minerals** experienced an increase and accounted for €24 m. in 2008 compared to €19 m. in 2007. Exports of **unprocessed minerals** have declined to €7 m. from €12 m. in 2007. They represent 4% and 1% of total domestic exports, respectively. (Table 3)

2.1.1 Exports of Manufactured Products

Exports of **manufactured products** (i.e. industrial products of manufacturing origin) constitute the bulk of Cyprus' domestic exports representing 58% of total exports in 2008. In 2008 they increased to € 318m., compared to €283 m. in 2007.

The most important manufactured products exported during 2008 were **pharmaceuticals** (€123 m.), **photosensitive semiconductor devices** (€58 m.), **waste and scrap** (€35 m.), **aluminum products** (€10 m.), **cigarettes** (€6 m.), **paper products** (€6 m.), **plastic products** (€6 m.), and **clothing** (€5 m.). (Table 4)

2.1.2 Exports of Agricultural Products

In 2008 exports of raw and processed agricultural products accounted for 21% and 15% of total domestic exports, respectively.

Exports of **raw agricultural products** during 2008 amounted to around €117 m.. **Potatoes, citrus fruit,** and **vegetables** were the most important products, with exports valued at €47 m., €29 m., and €9 m. respectively.

Exports of **processed agricultural products** during 2008 experienced an increase compared to 2008, and reached to €79 m.. **Halloumi cheese, meat, fruit and vegetable juices,** and **wines** are the main products included in this group. (Table 5)

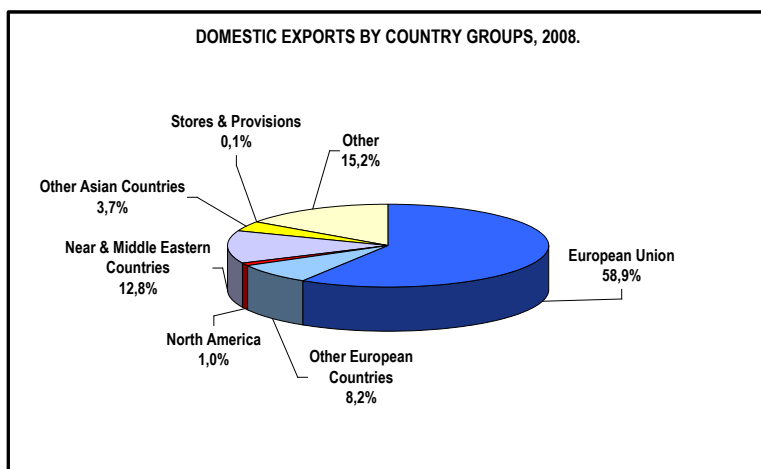
2.2 Direction of Domestic Exports

The **European Union** is by far the most important market area for Cyprus. In 2008 no less than 59%, or (€321 m.) of Cyprus' s domestic exports were absorbed by the E.U. countries. The major E.U. export market for Cyprus products is **Greece**, followed by **Germany**, the **United Kingdom**, and **Italy**.

The **Near and Middle Eastern Countries**, the second most important group, absorbed during 2008 about 13% of Cyprus' domestic exports. They increased to €70 m., from €54 m. in the previous year. The major markets in this group are **Jordan**, the **United Arab Emirates**, **Israel**, **Saudi Arabia** and **Lebanon**.

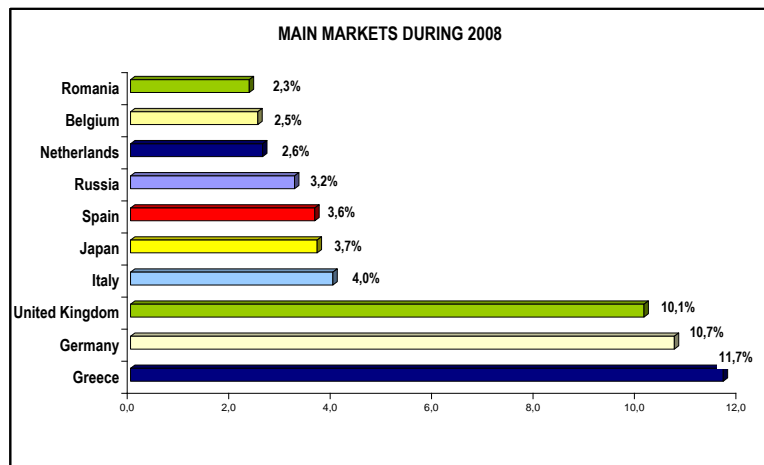
Exports to **other Asian countries** declined to €20 m. in 2008 from €49 m. in 2007, representing about 4% of Cyprus' domestic exports. The major export markets in this group are **Japan, China, and Hong Kong.**

Domestic exports to other **European Countries** represent 8% of the total. During 2008 they have increased to €45 m. from €41 m. in 2007. The major markets in this group are **Russia, Ukraine, and Serbia.**



Exports to **North America**, with most important export market the **U.S.A.**,

remained at about €6 m. in 2008, as was the case for 2007. Their share to the total was about 1%.



Exports to the **rest of the world** increased to €83 m. in 2008 from €40 m. in 2007 and account for 15% of total domestic exports.

Stores and provisions declined to €0, 6 m. in 2008, representing about 0, 1% of the total domestic exports. (Table 6)

On a country basis, the major markets during 2008 were **Greece, Germany, the United Kingdom, Italy and Japan.** (Table 7)

3. RE-EXPORTS

A significant share in foreign exchange earnings comes from re-exports, which in 2008 reached €622 m.. They have shown an increase from the previous year where their value was €577 m..

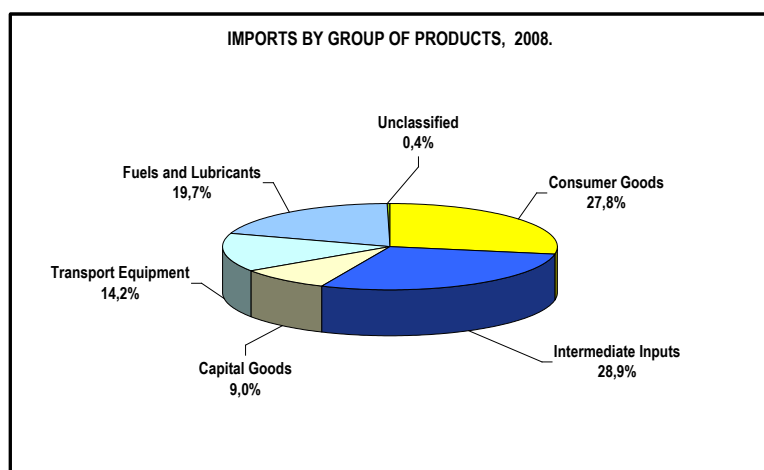
The bulk of these re-exports, about 42%, was directed mainly towards the countries of the **European Union.** They were followed by **Near and Middle Eastern** countries which absorbed 14%, while 3% were

directed to other **European countries**. **Asian and Other Asian** countries absorbed about 2% while **North African** countries absorbed 1,7%.

4. CYPRUS' IMPORTS

Total imports in 2008 reached €7.349 m., compared to €6.353 m. in 2007, showing thus an increase of about 16 %.

4.1 Total Imports/Arrivals by Economic Destination, (Group of Products)



Imports of **consumer goods** and **intermediate inputs** (raw materials) make up for most of the total imports, accounting for 28% and 29% respectively. They are followed by **fuels and lubricants** (20%), **transport equipment** (14%), and **capital goods** (9%).

Imports of **consumer goods** showed an increase in 2008 and reached €2.040 m. from €1.834 m. in the previous year.

Imports of **intermediate inputs** (raw materials) also rose during 2008 to €2.126 m. in comparison with €1.849 m. in the previous year. The overwhelming majority of the 2008 imports of intermediate inputs were raw materials for the manufacturing sector.

Imports of **fuels and lubricants** also showed an increase and reached €1.450 m. in 2008 from €1.071 m. in 2007.

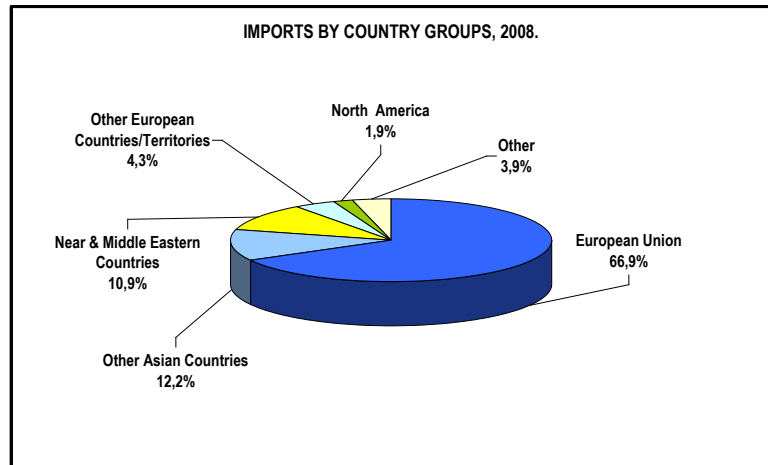
Imports of **transport equipment** and parts increased as well and reached €1.045 m. in 2008, compared to €1.014 m. in 2007. Passenger motor vehicles, parts for transport equipment and motor vehicles for the transport of goods, account for most of the imports in this group.

Imports of **capital goods** also increased and reached in 2008 €661 m. as compared to €571 m. in 2007. (Table 8)

4.2 Geographical Origin of Imports

The European Union countries continued in 2008 to be the biggest suppliers of goods to Cyprus providing 67% of the total imports, or goods valued at €4.915 m.. The major European Union countries exporting to Cyprus were **Greece, Italy, the United Kingdom** and **Germany**.

The **Asian countries** were the second most important group of suppliers in 2008, supplying Cyprus with goods valued at €894 m. or 12% of the total. **China, Japan, South Korea, Thailand, India, Taiwan** and **Singapore**, were the most important suppliers.



Imports from **Middle Eastern** countries, represented in 2008 11% of total imports and accounted for €798 m.. The major supplier in this group was **Israel** followed by the **United Arab Emirates, Georgia, Kuwait, Lebanon,** and **Saudi Arabia**.

Imports from **North America** have increased during 2008 to €139 m. from €88 m. in 2007. They account for only 2% of Cyprus' total imports. The **United States** is the biggest supplier from this group of countries.

Imports from **other European countries** have also increased and reached €317 m. in 2008 from €199 m. in 2007 and accounted for 4% of the total. The major suppliers in this group were **Ukraine, Switzerland, Norway** and **Russia**.

Imports from the **rest of the world** account for 4% of the **total imports**. They have declined to €287 m. in 2008 compared to €376 m. in 2007. (Table 9)

5. EXPORTS OF SERVICES

Cyprus is also an exporter of services. The services sector dominates economic activity in Cyprus as indicated by its 79% contribution to GDP. Over the last years, Cyprus has undertaken a major role in facilitating the provision of services and support to business people and professionals world wide.

Services include banking and financial services, insurance, advertising, legal, architecture and civil engineering, accounting and auditing, consultancy, design, electrical and mechanical engineering, market research, medical, printing and publishing, public relations, education, software development, tourism and related services.

6. PROMOTION OF EXPORTS

The main objective of the Ministry of Commerce, Industry and Tourism regarding the area of trade is the expansion of exports of goods and services. In order to achieve its goal the Ministry has developed and put into effect a plan of actions. This plan is designed in such a way as to improve the ability of the Cypriot enterprises to penetrate into foreign markets.

This plan of actions involves much more than advertising and includes amongst others, the introduction of export oriented schemes, the participation in international trade fairs, the organization of business missions and seminars abroad, public relations and market research.

The Ministry operates also eleven **Trade Centres**, situated in carefully targeted markets. At present, the Ministry maintains centres in **Austria, Egypt, France, Germany, Greece, Lebanon, Poland, Russia, the United Arab Emirates, the United Kingdom, and the U.S.A.** The sole responsibility of the Trade Centres is the promotion of exports of goods and services in overseas markets. Furthermore the Trade Centres are actively involved in the promotion of Cyprus as an International Business Centre, as well as in the attraction of foreign investments.

TABLE 1: CYPRUS EXTERNAL TRADE 2004 - 2008

						€'000s
	2004	2005	2006	2007	2008	2007 -2008
Domestic Exports	402.558	435.147	446.915	505.290	545.355	7,9
Re-exports	534.580	794.605	665.753	577.379	622.015	7,7
Total Exports	937.138	1.229.752	1.112.668	1.082.669	1.167.370	7,8
Total Imports	4.581.608	5.073.218	5.517.968	6.353.445	7.349.049	15,7
Trade Balance	-3.644.470	-3.843.466	-4.405.300	-5.270.776	-6.181.679	

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

Notes:

(1) Data on exports includes stores and provisions (exports to ships and aircraft).

(2) Because of rounding there may be slight discrepancies between the totals shown and the sum of constituent items.

(3) Revisions have been made on the 2004 data.

TABLE 2: DOMESTIC EXPORTS (excl.stores and prov.). MAIN PRODUCTS 2008.

Product	€'000s	
	2008	%
1 Pharmaceutical products	122.579	22,5
2 Photosensitive semiconductor devices	58.346	10,7
3 Potatoes	47.000	8,6
4 Waste and scrap	35.106	6,4
5 Halloumi Cheese	34.907	6,4
6 Citrus fruit	29.286	5,4
7 Cathodes of refined cooper	13.909	2,6
8 Meat (excl. meat of quails)	12.549	2,3
9 Fruit and vegetable juices	11.248	2,1
10 Aluminium bars, robs and profiles	9.682	1,8
11 Other products	170.105	31,2
Total	544.717	100,0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 3: DOMESTIC EXPORTS (excl. stores and provisions) BY GROUP OF PRODUCTS 2004 -2008

	€'000s					
	2004	2005	2006	2007	2008	%
Manufactured Products	225.891	228.784	260.989	283.377	317.586	58,3
Raw Agricultural products	98.215	93.492	94.344	120.091	116.646	21,4
Processed Agricultural Products	58.278	72.648	72.294	69.752	79.464	14,6
Processed Minerals	9.369	5.816	7.366	19.032	23.722	4,4
Minerals (Raw Materials)	5.097	5.298	10.742	11.938	7.216	1,3
Unclassified	345	460	185	46	83	0,0
Total Domestic Exports	397.195	406.498	445.920	504.236	544.717	100,0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 4: DOMESTIC EXPORTS (excl. stores and prov.) OF MAJOR MANUFACTURED PRODUCTS, 2004 - 2008.

	€'000s				
Product	2004	2005	2006	2007	2008
Coffee, roasted	424	405	486	460	382
Animal or vegetable fats and oils	3.259	2.640	1.876	1.950	2.111
Sugar and Chocolate confectionery	457	263	229	126	154
Biscuits, waffles, wafers and other bakers wares	390	388	487	844	748
Cigarettes	20.277	13.536	6.958	7.103	6.155
Cement	5.706	8.172	8.559	2.018	0
Pharmaceutical products	84.893	86.232	91.933	103.943	122.579
Paints	616	679	569	441	372
Perfumery and cosmetics	4.944	3.193	3.170	3.105	2.859
Soap, washing preparations	1.228	901	1.414	1.565	1.648
Insecticides	393	1.130	344	270	818
Tubes,pipes,sheets etc.of plastics	5.665	5.687	5.342	5.830	5.657
Plastic articles for packing goods	2.536	1.990	1.937	1.669	1.045
Articles of paper or of paperboard	8.839	7.709	9.776	6.766	5.675
Printed material	3.240	901	684	547	435
Clothing	13.095	7.727	7.156	6.582	5.164
Footwear	1.565	905	992	600	679
Articles of iron and steel	1.963	1.127	1.383	2.189	2.123
Aluminium bars, robs and profiles	6.614	6.900	12.071	13.665	9.682
Pumps for liquids	1.920	2.399	3.579	3.195	2.459
Refrigerators and freezers	2.042	299	101	31	76
Oil and air filters for motor vehicles	2.921	3.459	0	0	0
Brooms,brushes,mops,etc.	1.700	1.884	2.144	2.209	1.201
Shotgun cartridges	1.387	2.156	1.910	2.792	3.015
Furniture	7.163	8.246	5.966	4.796	4.198
Lighting fixtures and fittings	2.038	633	1.040	863	373
Records, tapes and other recorded media	1.105	9.198	1.587	1.873	1.005
Photosensitive semiconductor devices	7.134	11.633	33.446	45.099	58.346
Yachts and other sports and pleasure boats	2.423	2.406	2.977	3.253	2.084
Animal feeding preparation	1.893	1.823	1.336	1.683	1.424
Waste and scrap	13.712	15.619	27.610	28.763	35.106
Jewellery, goldsmiths and silversmiths wares	4.210	1.002	1.009	805	858
Machinery for filling, closing, scaling, labeling	1.442	2.102	1.636	2.542	2.311
Watering appliances for agricultural or horticultural sectors	1.296	1.312	347	56	0
Part and accessories of motor vehicles	592	746	588	444	981
Uncooked or stuffed pasta	349	484	604	619	910
All others	6.460	16.412	19.743	24.681	34.953
Total	225.891	232.298	260.989	283.377	317.586

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 5: DOMESTIC EXPORTS (excl. stores and provisions) OF MAJOR AGRICULTURAL PRODUCTS 2004 - 2008

	€'000s				
	2004	2005	2006	2007	2008
Raw agricultural products	98.216	93.493	94.344	120.091	116.646
Citrus fruit	38.142	35.474	32.586	29.248	29.286
Fresh Grapes	1.313	667	356	200	418
Potatoes	27.276	20.294	39.865	55.902	47.000
Other Vegetables (fresh, frozen, or dried)	8.868	10.910	11.146	10.009	9.217
Fish, crustaceans, mollusks (live, fresh, chilled or frozen)	4.482	22.890	7.370	8.391	8.598
Other	18.135	3.258	3.021	16.341	22.127
Industrial pr. of agricultural origin	58.278	72.640	72.294	69.752	79.464
Halloumi cheese	19.157	26.103	29.043	31.155	34.907
Cheese (excl. halloumi cheese)	1.554	1.094	1.070	1.468	1.342
Locust beans (incl. Seeds)	1.525	1.674	1.440	906	1.045
Wines	8.923	9.051	3.936	5.191	3.429
Fruit and vegetable juices	8.439	7.909	9.492	12.353	11.248
Beer	1.257	1.604	1.869	1.726	1.411
Alcoholic beverages (excl. beer and wines)	255	386	511	489	421
Meat (excl. meat of quails)	7.078	6.852	3.235	6.050	12.549
Raw Hides and skins	2.406	3.362	3.047	2.992	3.555
Fruit preserved	987	800	730	581	520
Other	6.697	13.805	17.921	6.841	9.037
Total	156.494	166.133	166.638	189.843	196.110

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 6: DOMESTIC EXPORTS (including stores and provisions) BY COUNTRY GROUPS 2007- 2008

	€'000s			
	2007	%	2008	%
European Union	314.715	62,3	321.041	58,9
Other European Countries	40.736	8,1	44.771	8,2
North America	6.036	1,2	5.709	1,0
Near & Middle Eastern Countries	53.600	10,6	69.941	12,8
Other Asian Countries	49.414	9,8	20.252	3,7
Stores & Provisions	839	0,2	639	0,1
Other	40.363	8,0	83.002	15,2
Total Domestic Exports	505.290	100,0	545.355	100,0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 7: MAIN MARKETS FOR CYPRUS DOMESTIC EXPORTS DURING 2008.

	COYNTRY	€'000s	%
1	Greece	63.681	11,7
2	Germany	58.421	10,7
3	United Kingdom	55.165	10,1
4	Italy	21.735	4,0
5	Japan	20.048	3,7
6	Spain	19.800	3,6
7	Russia	17.615	3,2
8	Netherlands	14.185	2,6
9	Belgium	13.669	2,5
10	Romania	12.758	2,3

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 8: TOTAL IMPORTS BY GROUP OF PRODUCTS 2004 - 2008

						€'000s
	2004	2005	2006	2007	2008	%
Consumer Goods	1.269.323	1.674.005	1.684.429	1.834.477	2.039.561	27,8
Intermediate Inputs	1.377.213	1.371.783	1.527.117	1.848.912	2.126.354	28,9
Capital Goods	556.655	463.371	506.124	571.479	661.481	9,0
Transport Equipment	773.339	660.361	727.550	1.013.746	1.044.694	14,2
Fuels and Lubricants	547.278	823.138	1.000.673	1.071.198	1.450.018	19,7
Unclassified	57.800	80.560	72.075	13.633	26.941	0,4
Total Imports	4.581.608	5.073.218	5.517.968	6.353.445	7.349.049	100,0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

TABLE 9: TOTAL IMPORTS BY COUNTRY GROUPS 2004 - 2008

						€'000s
	2004	2005	2006	2007	2.008	%
European Union	2.967.443	3.340.644	3.610.937	4.336.498	4.914.758	66,9
Other Asian Countries	272.697	571.408	586.289	775.375	893.615	12,2
Near & Middle Eastern Countries	116.957	519.224	552.316	578.497	798.080	10,9
Other European Countries/Territories	356.658	242.796	292.492	198.712	316.822	4,3
North America	641.872	88.357	95.613	88.469	139.164	1,9
Other	225.981	310.789	380.321	375.894	286.610	3,9
Total Imports	4.581.608	5.073.218	5.517.968	6.353.445	7.349.049	100,0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2008. Statistical Service of Cyprus.

DEPARTMENT OF TRADE
MINISTRY OF COMMERCE INDUSTRY & TOURISM
1421, Nicosia

Telephone: 22867100, Fax: 22375120

E – Mail: perm.sec.@mci.gov.cy, Website: www.mci.gov.cy

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