

Newsletter issue 10 – February 2007

The 10th issue of 'Economics Research' contains articles on the tax-benefit simulation model under development, policy issues in public debt management, the productivity of Cypriot hotels and restaurants and a comparison of official unemployment statistics for Cyprus.

The Economics Research Centre is currently developing the first Tax-Benefit Microsimulation Model for the Cyprus economy. The related newsletter article provides a quick insight to the model and its most important uses as an economic policy tool. A brief description of the model for the Cyprus economy and its simulation capabilities is also provided.

The evolution and current challenges of public debt management and debt market development in Cyprus are analysed in order to identify relevant policy options for the authorities. Although significant progress has been made during the last decade in terms of using market-based mechanisms and adopting a more sound public debt composition, there remain important weaknesses to be addressed in view of the forthcoming entry of Cyprus into the Eurozone. Three main (and mutually reinforcing) challenges are identified: institutional arrangements for public debt management, modernisation of the primary and secondary government debt market, and upgrading investment management skills of domestic institutional investors.

The productivity, due to technological progress, of the Cypriot Hotels-Restaurants sector, is analysed via econometric estimations for the period 1996-2003. A rather high rate of technological change is observed at the beginning of the period under examination, which decreases over time. By the end of the period all types of enterprises (hotels, restaurants, night-clubs/bars/pubs) exhibit technological deterioration. On average, during the period 1996-2003, hotels and night-clubs/bars/pubs demonstrate the lowest and highest percentage technological progress, respectively.

Three statistical data sets are used to measure the unemployment rate in Cyprus: the Registered Unemployment Rate, Harmonized Unemployment and the unemployment rate obtained from the Labour Force Survey of Cyprus. Using each one of these data sets can lead to different conclusions on the evolution of unemployment. For example, in contrast to the Registered Unemployment Rate, which has remained essentially stable over the last years, Harmonized Unemployment data show that the unemployment rate has grown steadily between 2002 and 2005 and decreased from early 2006 onwards.